

Ke Kumu

Strategic Directions for Hawaii's Visitor Industry



2002



Hawaii Tourism Authority

Foreword

In 1999, the first Tourism Strategic Plan (TSP), *Ke Kumu*: Strategic Directions for Hawaii's Visitor Industry, was created by the Hawaii Tourism Authority (HTA) to provide direction for the visitor industry as Hawaii entered the next millennium. Over 5,000 people were contacted, and approximately 2,200 people from a broad cross-section of the community participated during the planning stages of the TSP. During the statewide meetings, over 700 people attended to hear about *Ke Kumu* and provide their comments.

Ke Kumu is a living document, intended to provide broad overall strategic direction for our visitor industry. In 2001, we believed it was time to update *Ke Kumu* as we have seen changes in the market place, heard community preferences, and observed the development of significant issues. Consequently, the HTA went back to the community in June/July and November. During the summer community meetings, the HTA shared the accomplishments since *Ke Kumu* was written, discussed future plans and activities, and offered the public a venue to voice their thoughts. During the fall community meetings, the HTA went back to share the proposed revisions to *Ke Kumu* and asked for feedback from the community. The HTA reviewed the meetings' transcripts and used the pertinent comments regarding *Ke Kumu* to revise as necessary. This is part of and a continuation of our work to strengthen tourism for the benefit of Hawaii's communities.

Listed in the following pages are broad-based strategies that are meant to direct the visitor industry. It is important to note that not all of the identified strategies will be realized immediately, as some will require merely a year to implement while others will take a longer time to nurture and grow. We have identified eight strategic initiatives to guide tourism in Hawaii. Within the tourism strategic initiatives, many different projects, programs, and activities have been and will be undertaken to best serve the strategies.

In the aftermath of the September 11, 2001 terrorist attacks, our visitor industry and economy were severely impacted by: 1) a marked reduction of flights to Hawaii by various carriers; 2) a significant rise in unemployment; and 3) a decrease in visitor arrivals. The Department of Business, Economic Development and Tourism estimated that if visitor arrivals average a 30 percent loss from September through December for the remainder of

2001, Hawaii could lose \$1 billion in gross state product. This translates to a step backwards to 1998 visitor expenditure levels.

To combat these crisis conditions, the state took immediate actions. Specifically, Governor Benjamin Cayetano established a special task force consisting of the HTA, HVCB, and the business community to develop and implement an emergency marketing plan to draw visitors back to our islands and as part of a short-term measure to restore our visitor industry and economy. Such extraordinary events will have lasting and unpredictable impacts on the visitor industry. As such, *Ke Kumu* will be revised as needed.

Nevertheless, the HTA will continue to focus on the long-term directions for the visitor industry through its strategic initiatives, based upon input from the community, on-going research and continued discussions with the government officials and the visitor industry. Critical to the continued success of *Ke Kumu* – our work in progress – will be HTA's continued partnerships with our residents, visitor industry, business community, and government entities. We hope that together we can bring these strategic initiatives to realization.

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EXECUTIVE SUMMARY

The Hawaii Tourism Authority (HTA), established by Act 156, SLH 1998 and activated by Governor Benjamin Cayetano in October 1998, commenced its formal duties almost immediately upon convening. The document, **The Tourism Strategic Plan (TSP)**, was the fulfillment of one of the primary responsibilities of the HTA. It was the beginning of a determined process of accomplishment of the HTA's mission of *"managing the strategic growth of Hawaii's visitor industry in a manner consistent with the economic goals, cultural values, and community interests of the people of Hawaii."*

While the TSP is systematically organized to give background, mission, underlying values, business practices and goals, a very important section of the TSP is dedicated to a presentation of assets and challenges as well as seven key strategic initiatives. The strategies included in the TSP were essentially a response to **three imperatives related to strengthening tourism for the benefit of Hawaii's community:**

- 1) The need to **create demand** for Hawaii's tourism product.
- 2) The need to **revitalize and diversify** the Hawaii tourism product.
- 3) The need to **increase visitor spending** per person per day (PPPD\$).

The initial TSP was based on two "foundation" efforts: A competitive analysis describing the kind of trends and competition Hawaii currently faces throughout the world, and a product assessment describing both the reality and perception of the kinds of events, attractions and experiences which Hawaii provides visitors. As it should be, the TSP has been launched by the HTA as a **living document**, suitable for updating, revising, and adjusting as economic factors, community values, and legal mandates require.

Since Hawaiian statehood was achieved in 1959, tourism has evolved into the state's economic mainstay and continues to have a profound influence on the community. Tourism is not only the chief generator of employment for Hawaii's people, but it is the primary source of revenue into the community through visitor expenditures and tourism-related capital investment. In addition, it is important to note that tourism's success over the years stems from the natural and cultural resources of the community.

In 1998, the Hawaii Tourism Authority was created through Act 156 by Governor Cayetano and the Hawaii State Legislature. The legislation: (1) increased the hotel room tax to 7.25% and broadened the base to include time share accommodations; (2) dedicated 2.75 percentage points of the hotel tax to create a perpetual Tourism Special Fund; and (3) created the 13-member HTA, a governor-appointed, first-ever congregation of a significant number of Hawaii's key business leaders—both from inside and outside of the visitor industry.

The HTA's stated values range over an array of deeply seeded legacies of the culture of Hawaii and its people. In its dedication to conduct its affairs in a businesslike fashion, the HTA has focused on key practices: assist in overall economic diversification of the state; assure accountability in handling public tax dollars; enable, energize and optimize all dedicated resources; remove or ameliorate obstacles; and provide positive leadership.

The HTA seeks to manage the growth of tourism's contribution to Hawaii's economy by targeting **visitor expenditures** growth. Visitor expenditures are a product of three variables: 1) visitor expenditures per person per day; 2) length of stay; and 3) the number of visitor arrivals. The HTA's focus will be on better utilization of existing facilities, value-added visitor products and experiences, and increasing airline yield.

Since the implementation of *Ke Kumu*, the HTA has been assessing the effectiveness of the strategic initiatives. After two years of executing the strategies through our programs and activities, and receiving valuable input from the community, government agencies, environmental and travel related associations, and the visitor industry, the HTA revised the TSP in the following ways:

- The HTA's mission has been refined to make it more concise.
- Goals have been updated based for years 2002-2003. Given the present instability of the world economy and visitor industry, the HTA will develop targets for years 2004-2007 in early 2002.
- *Strategic Initiative A— Communications and Community Relations* remains the unchanged.
- Marketing is divided into two separate initiatives – *Strategic Initiative B - Leisure Marketing* and *Initiative C - Business Tourism Marketing*.

- *Strategic Initiative D— Events* was updated to reflect the Events Marketing Strategic Plan approved in September 2001. This strategy changed to focus only on “sporting” events, and removed festivals to “Tourism Product Enrichment & Diversification”.
- *Strategic Initiative E— Product Development* was renamed “Tourism Product Enrichment & Diversification” to include support for “existing activities” rather than merely “new tourism events.” In addition, festivals are included as part of the strategy.
- *Initiative F—Airlift* was further developed to reflect partnerships between the air carriers and the state of Hawaii.
- *Strategic Initiative G— Infrastructure and Support Services* was modified to “Advocacy & Representation For Tourism” and further refined the strategy to emphasize HTA’s role as an advocate. The HTA also included the protection and enhancement of the natural environment and public recreational areas patronized by visitors and residents.
- *Strategic Initiative H— Regulations and Investment Incentives* was revised to “Long-Range Planning,” whereby the HTA will take more of a planning role to monitor, manage and assess impacts of tourism on the culture, environment and the economy, and respond to negative effects by working with our partners.
- The Appendices have been updated.

The revised TSP continues to identify and describe **eight strategic initiatives** for immediate implementation. Each is described in detail in the TSP text and annexes:

- 1) **Communication & Community Relations:** Provide and support communication, education and outreach efforts to enhance understanding of, support for, and participation in tourism by residents, business community, visitor industry, and government agencies.
- 2) **Leisure Marketing** (by major marketing area): To promote Hawaii as a preferred destination for leisure tourism by increasing promotional presence and brand identity to more globally competitive levels that optimizes performance in each Major Market Area (MMA).

- 3) **Business Tourism Marketing:** To promote Hawaii as a preferred destination for business tourism by increasing media awareness and brand identity on a global basis.
- 4) **Sporting Events:** Develop a comprehensive portfolio of sporting events that:
 - Generate awareness of the Hawaii brand and establish Hawaii as the preferred destination for high-profile, quality sports events through national and international media exposure; and
 - Attract visitors to Hawaii as participants and spectators.
- 5) **Tourism Product Enrichment & Diversification:** Diversify and enrich Hawaii’s tourism product by developing new and enhancing existing community-based tourism events, experiences, attractions and projects related to the niches of agriculture, culture, education, health and wellness, nature, and technology to complement Hawaii’s traditional resort product and assist in overall economic diversification.
- 6) **Airlift:** Facilitate sustainable growth in airlift to Hawaii that enhances business relationships between the air carriers and state of Hawaii.
- 7) **Advocacy & Representation For Tourism:** Provide advocacy and representation for the natural environment and public recreational areas, tourism investment, tourism-related infrastructure, and tourism support services for the purpose of strengthening the industry, enhancing the Hawaii visitor experience, and enriching residents’ quality of life.
- 8) **Long-Range Planning:** To perform long-range planning for a strengthened visitor industry that will significantly contribute to the state’s economy, benefit Hawaii’s community, and sustain Hawaii’s natural and cultural resources.

While implementation may be creative and flexible, the HTA’s TSP provides the strategic framework for a broad, community-wide renewal of the genius that has made Hawaii one of the premier visitor destinations on earth. As the HTA continues to move forward, the revised strategic initiatives will continue to guide and energize Hawaii’s visitor industry for continued success. Cooperation and commitment from all sectors can accomplish great things.

KE KUMU

Most Hawaiian words have more than a single meaning. The more common or familiar meaning of *Ke Kumu* is “the teacher.” However, it also has several other meanings including the following:

- Base, foundation, basis, title (as to land), main stalk of a tree;
- Teacher, tutor, manual, primer, model, pattern;
- Beginning, source, origin; and
- Reason, cause, goal, purpose.

The phrase *Ke Kumu* also refers to that source deep within each of us which a person draws strength or calm from when everything else around may be stormy.

These various meanings have particular relevance to the first Tourism Strategic Plan developed in 1999 for Hawaii and the first appointed body of the Hawaii Tourism Authority.

- The Tourism Strategic Plan forms the *basis* or *foundation* upon which Hawaii's future as a visitor destination will be built.
- Both the plan and the HTA itself are intended to be a *primer* or *model* for Hawaii's tourism industry in particular but which has potential impact on other segments of Hawaii's total economy and future.
- The plan is the primary *purpose* for the legislative creation of the HTA. The first 13 members of the HTA represent the source from which this plan originated. This plan also represents the single *purpose* of bringing 13 diverse members of the Hawaii community to work together, in several cases, for the very first time.
- Finally, the tourism strategic plan represents the collective efforts of both the HTA and the Hawaii community in “digging deep” within ourselves to take better control of our future rather than passively waiting for external factors beyond our control to change.

The HTA, through its members, and this Tourism Strategic Plan, stands ready to serve as the *source* of leadership from which Hawaii's community draws guidance. The Authority strongly encourages the people of Hawaii to use the Tourism Strategic Plan, and actively participate in the effort to revitalize, strengthen, and sustain Hawaii's visitor industry.

TOURISM IN HAWAII

The Hawaiian Islands define paradise. With the most temperate climate on Earth, its stunning vistas, dramatic mountain ranges, lush rainforests, awe-inspiring volcanoes, crystal clear waters and abundance of wildlife, the Hawaiian Islands have been truly blessed. Hawaii portrays an image of unsurpassable beauty and tranquility — certainly an enviable image by any standard.

A unique island paradise located in the mid-Pacific, Hawaii has welcomed visitors for more than one hundred years. Mark Twain and Robert Louis Stevenson visited the Hawaiian Islands when steamship was the common mode of trans-Pacific travel. With the advent of the jet aircraft, travel to Hawaii became more easily attainable for a larger segment of the global population.

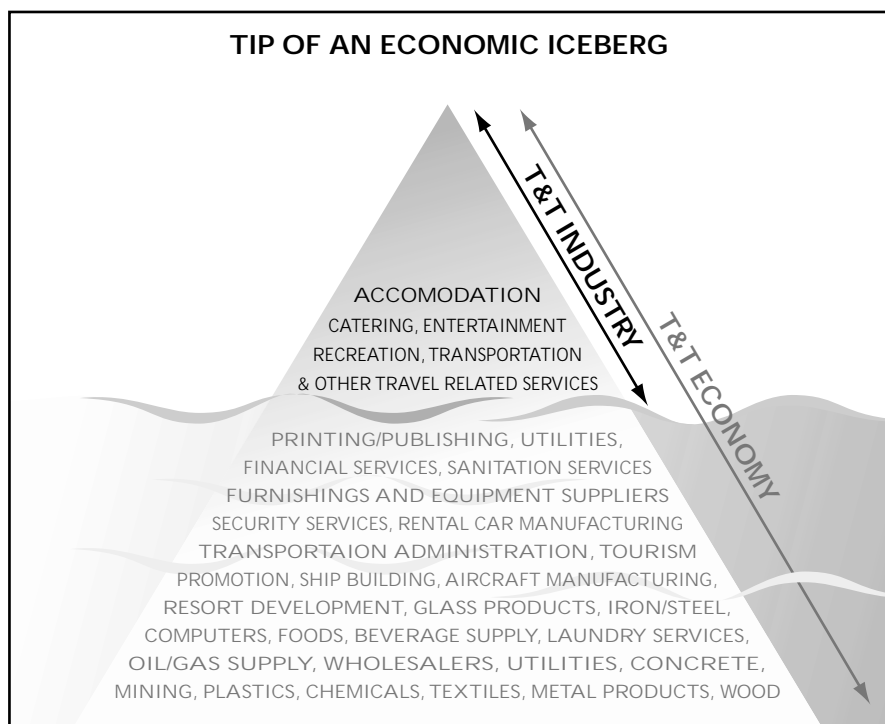
Since statehood in 1959, tourism has grown to become the economic mainstay of Hawaii. Today, tourism remains an integral part of Hawaii's community and has a profound influence on many aspects of the lives of Hawaii's people. The following illustrates these points:

- **Tourism is the chief generator of employment for Hawaii's people.** Currently, one in every three jobs in Hawaii is tourism-

related. This includes direct employment by travel companies providing services to visitors and business travelers; and indirect employment by (1) government agencies providing services to visitors, business travelers, travel companies, and the community-at-large; and (2) supplier companies which provide goods and services to travel companies and government agencies which serve visitors. Exhibit 1 illustrates the direct and indirect employment generated by tourism.

- **Tourism is the primary source of revenue into the community through visitor expenditures and tourism-related capital investment.** In 2001, DBEDT projects Hawaii's visitor industry will account for \$14.0 billion in spending for travel and tourism, which supports 25.6 percent of state total jobs. In addition, it will produce \$7 billion or 18.8 percent of the Gross State Product and \$906 million or 20.6 percent of total tax revenues to the state and county governments.
- **Tourism's success stems from the natural and cultural resources of the community.** Hawaii's remarkable natural assets, cultural

Exhibit 1



diversity, and world-renowned aloha spirit, combine to attract millions of visitors to Hawaii each year. While resort areas with visitor accommodation facilities are prevalent landmarks for tourism, it is Hawaii's scenic beauty, unique physical features, and multi-cultural heritage that provide high quality experiences for visitors. Opportunities abound for residents and visitors to meet and interact as visitors travel throughout the community to experience Hawaii's natural and cultural resources. This aspect of tourism most often results in positive interaction between residents and visitors; however, conflicts do occur. It is essential to manage the promotion of Hawaii's natural and cultural resources to maximize the benefits for both residents and visitors.

In 1991, after enjoying strong and sustained growth in tourism for more than 30 years, Hawaii experienced the beginning of a decline in visitor arrivals. Multiple factors have contributed to this decline including recent weakness in key Asian economies, increased global competition, the Persian Gulf War in 1991, and Hurricane Iniki in 1992. In addition, Hawaii is challenged with a decreasing share of first-time visitor arrivals from the U.S. mainland.

Tourism in Hawaii is now at a critical stage of its lifecycle and operates within global and local environments that are vastly different from those which allowed it to prosper in the past.

- **The global economy has changed the competitive framework for Hawaii tourism.** Hawaii now has relatively new and formidable competitors in several market areas that are investing heavily in promotion and product development. Technology and consolidation of travel distribution systems are changing the way people make travel decisions and book their trips. Domestic and international airlines are forming alliances to develop the most competitive routes.
- **Resident and visitor population growth and development have changed the needs and desires of Hawaii's people.** As an island state, Hawaii faces a natural constraint on the development and use of its resources. Future

population growth and economic development will require more coordinated planning than has occurred in the past in order to create the right balance between achieving economic objectives and sustaining Hawaii's natural and cultural resources.

- **The visitor industry experienced a dramatic change as a result of the terrorist attacks on September 11, 2001.** Safety of air travel emerged as a major consumer concern. Travelers reacted to the terrorist attacks by canceling near-term leisure and business travel. Because of the sharp drop in demand, many airlines had to 1) reduce flight schedules and 2) lay off employees. U.S. hotels recorded a decline in occupancy levels, and occupancy projections for 2001 and 2002 are down 60%. Consequently, Hawaii has experienced a decrease in hotel occupancy of more than 25% following the September 11, 2001 attacks; a significant decline in Japanese arrivals from September 11-October 15, 2001 by 54.1% compared to the same time last year; and a substantial rise in unemployment.

FORMATION OF THE HAWAII TOURISM AUTHORITY

In 1997, after seven years of a stagnant economy, Hawaii's leaders came together to address Hawaii's overall economic dilemma. While the State Legislature has consistently appropriated tourism marketing funds, the levels of funding have fluctuated over the years, as has tourism's priority against other government funding demands. Governor Benjamin Cayetano and the 1998 Hawaii State Legislature worked diligently to develop a new and dedicated mechanism to fund tourism, to increase the level of funding for tourism to a globally competitive level, and to create a cabinet-level Tourism Authority for policy and fiscal oversight, tourism development and marketing. The key initiatives of Act 156, SLH 1998 which signaled breakthrough change in the way tourism had previously been perceived and funded were:

- **Hotel Tax** – The Transient Accommodations Tax (TAT) was increased from 6 percent to 7.25 percent and was broadened to include time share accommodations.
- **Dedicated Tourism Funding** – 2.75 percentage points of the TAT was dedicated to create an annual tourism fund of approximately \$50 to \$60 million.
- **Hawaii Tourism Authority** – A cabinet level executive board was established to oversee the new tourism fund, create a vision for tourism and administer tourism development from a statewide perspective. The thirteen-member board (eleven voting, two non-voting) is representative of all sectors of the visitor industry, the business community, the general public, and all four counties of the state; and is Hawaii's first real tourism partnership between business and government.

The Hawaii Tourism Authority (HTA) has been given a number of enumerated powers, but its primary responsibilities include the development of a Tourism Strategic Plan (TSP) for Hawaii, tourism marketing, performance measurement, and accountability for expenditures.

HAWAII TOURISM AUTHORITY'S MISSION STATEMENT

To strategically manage the growth of Hawaii's visitor industry in a manner consistent with our economic goal, cultural values, preservation of natural resources, and community interests.

Values

The HTA firmly believes that the fundamental strength of Hawaii's attraction as a tourism destination is its **aloha** which is preserved and made manifest by its people. In that regard, the HTA has adopted a set of principles based on the values of Hawaii's host culture to guide its work and achieve the goals set forth below. The mana`o (thought, belief, idea, opinion, theory, intention) which forms the basis for the TSP — and all HTA activities — are as follows:

Ho'okipa – To properly host visitors, whether invited or unexpected, is an important value in Hawaiian culture. Hawaiians of the past took great pride in hosting or entertaining visitors. Today, we reaffirm our pride in hosting visitors from around the world with a quality visitor experience.

Lokahi – The literal translation of lokahi means agreement, unity, harmony or accord. The figurative translation, however, refers to a group working together toward a common goal with that common goal having a positive benefit for all.

Likewise, the HTA values local community involvement in defining and planning a successful tourism industry so that it supports the quality of life for Hawaii's residents.

Pulama i ka ho'oilina – Ho'ilina means legacy and pulama means care, cherish, or treasure. For HTA, this phrase refers to caring for the legacy that will be handed down to future generations and supporting the preservation of Hawaii's unique cultural heritage which has shaped Hawaii's history and identity.

Aloha 'aina – In caring for the land and ocean, the Hawaiians of old viewed themselves as stewards of the land and ocean which sustained all life.

Therefore, the HTA today recognizes the importance of preserving Hawaii's fragile natural environment and natural resources to sustain future generations of residents and visitors.

Alaka'i – Literally, this word means lead, guide or direct and/or refers to a leader, guide or conductor. The HTA recognizes Hawaii's potential to be the premier training and educational center for the tourism community and for students in Hawaii and around the world.

Ho'oulu (To grow, to inspire) – The HTA desires to be a building block for growth and diversification of local products as an export into the worldwide distribution system.

Ho'okahua (To build a foundation; also infers developing long stability over the long haul) – The HTA will strive to build a foundation that encourages and supports product growth, diversification and a diversified visitor mix. This foundation will (a) support a broader range of products and services within the local business community; and (b) serve the long term business and economic cycles impacting the health and welfare of Hawaii's residents.

Palekana (Safety) – A core value of HTA is to maintain a safe and secure environment for all residents and visitors.

He kulana i mahalo'ia (A position of admiration or appreciation) – The HTA shall strive to earn the respect of the people by its contribution to the state and the community.

Business Practices

The following business practices characterize the manner in which the HTA will go about its challenge to achieve the economic goals set forth below:

- **Assist in the overall economic diversification of the state** by linking tourism with emerging as well as established industries to create new economic sectors. The development of such inter-industry partnerships will diversify, strengthen, and revitalize Hawaii's tourism product.
- **Assure accountability for the expenditure of public monies** in the management of marketing programs. Systematic performance management practices will maximize and leverage public and private sector resources in a proactive, rather than reactive, manner.
- **Enable, energize, and optimize** the positive impact of all tourism industry, community and government resources toward the goals and objectives of the strategies.
- **Remove or ameliorate obstacles** which dilute the quality of the tourism product, add to its cost to the industry and the consumer, and which thwart the goals and objectives of the strategies.
- **Provide positive leadership**—both within and outside the visitor industry—which results in a high confidence level in the role and strategy of the Hawaii Tourism Authority. This will include a proactive communications effort on all fronts, and a leadership role in redefining the public image of Hawaii's tourism product.

GOALS

The HTA's priority is to achieve managed growth of Hawaii's tourism industry by focusing on increasing visitor expenditures. Cognizant of Hawaii's finite wealth of natural resources, the HTA recognizes that growth in visitor arrivals is secondary to growth in visitor expenditures.

Achieve managed growth of Hawaii's tourism industry by focusing on increasing visitor expenditures.

***Total Visitor Expenditures =
Expenditures Per Person Per Day x
Length of Stay x Visitor Arrivals***

Visitor expenditures are a product of: (1) expenditures per person per day; (2) length of stay; and (3) visitor arrivals. The strategies identified in this plan have been developed to maximize visitor expenditures by strengthening the components of the visitor expenditure equation.

Events and tourism product enrichment and diversification initiatives impact the daily expenditures and length-of-stay components of the equation. The priority for events will be on better utilization of existing

facilities. Product revitalization initiatives will focus on added value, diversification and increasing yield.

Marketing initiatives impact all three components of the visitor expenditure equation. The priority will be on targeting visitors with a propensity for higher-spending and/or longer lengths-of-stay.

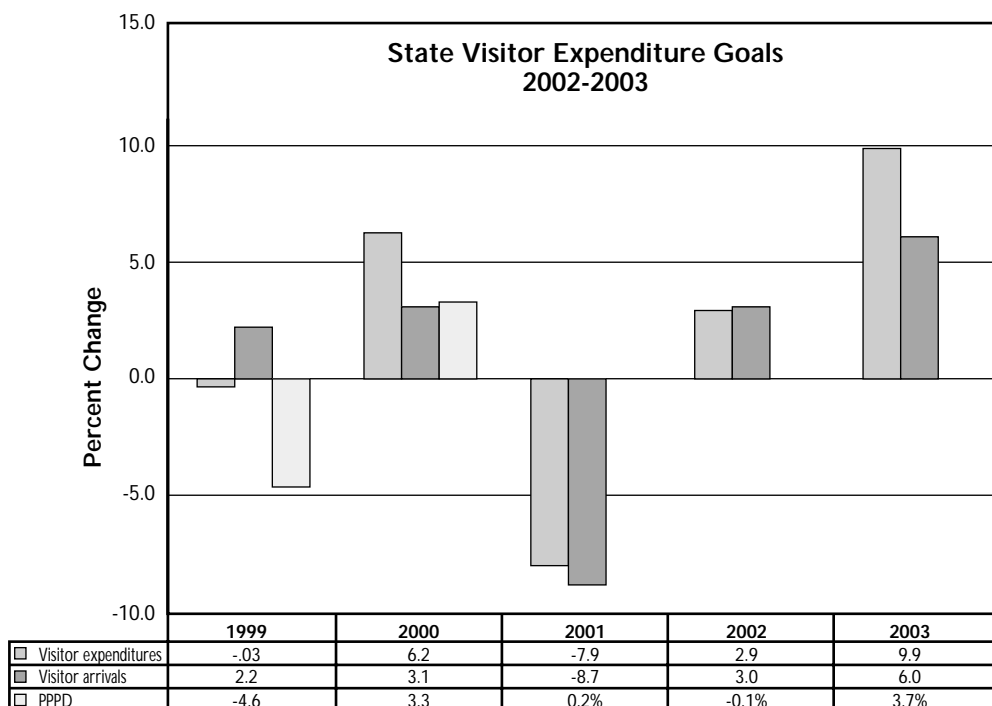
The HTA seeks to manage the growth of tourism's contribution to Hawaii's economy by targeting *visitor expenditures* in 2002 and 2003.

The 2002-2003 goals, illustrated in Exhibit 2, are economic growth targets for the state as a whole. These figures do not represent projections or actual results, but illustrate where the HTA intends to be through the year 2003. The HTA assumed that the year 2002 would remain flat, with the first half of the year down, and the second half picking up. In 2003, HTA assumes that per person per day spending will increase, thus growing visitor expenditures.

As world conditions change, more information is gathered and other factors come into play, these goals may be refined and modified. In early 2002, the HTA will develop its long-range goals for 2004-2007.

See Appendix A for additional information.

Exhibit 2



Note: Percentage growth has been adjusted for inflation.

STRATEGIC DIRECTION

With the 21st century upon us, today's visitors have become increasingly sophisticated and are looking for more of everything in a vacation — more excitement, more value and more experiences. This, in turn, has given growth to a slew of fierce competitors which are more numerous, smarter, and armed with substantial resources to attract them. In order for Hawaii to prosper and fulfill its potential to become a tourism leader in the millennium, the proper balance between staying competitive (demand) and keeping Hawaii's cultures, values and product (supply) intact must be achieved.

The HTA has assumed the state's leadership role as steward for this important charge and has developed several targeted directives. These strategic directions are based on assessments of Hawaii's position within the global tourism marketplace, and the quality of the Hawaii tourism product, including community support of the industry. Appendix B includes an update of the major findings and conclusions of the 1999 competitive analysis and product assessment studies, classified by demand and supply issues based upon 2001 information.

The HTA formulated the TSP for the purpose of embracing its mandate, fulfilling its mission, and justifying the high expectations of the HTA by the industry and people of Hawaii. The TSP contains strategic directions in the following eight areas:

- Communication & Community Relations
- Leisure Marketing
- Business Tourism Marketing
- Sporting Events
- Tourism Product Enrichment & Diversification
- Airlift
- Advocacy & Representation For Tourism
- Long-Range Planning

Within each area, the TSP presents a brief assessment of the issues of concern, and the strategic direction to undertake that will contribute to the strengthening and revitalization of the tourism sector of Hawaii's economy. The plan reflects the complex nature of tourism, and the various components that need to work together to deliver products, services and experiences that are satisfying to visitors, compatible with Hawaii's lifestyle, and assists in the overall diversification of Hawaii's economy.

Strategic Initiative A: COMMUNICATION AND COMMUNITY RELATIONS

STRATEGY: *Provide and support communication, education and outreach efforts to enhance understanding of, support for, and participation in tourism by residents, business community, visitor industry, and government agencies.*

There are many stakeholders in Hawaii tourism — visitors, residents, private businesses, and government agencies — all of whom have different issues of interest and concern. As the lead state authority tasked with oversight for Hawaii's tourism industry, the HTA will serve as the vital link that keeps these stakeholders connected and moving in the same direction. The HTA will strive to facilitate relationships among community, industry and government stakeholders by coordinating broad discussion on relevant tourism issues.

The HTA further recognizes that increased public support and participation in tourism are essential to the future economic success of Hawaii. The HTA will take an active role in supporting and spearheading a diverse range of communication and outreach activities to increase public awareness and understanding of tourism as well as encourage participation and interaction among the various stakeholders.

The HTA communication and community relations' strategy will consist of multiple parts including, but not limited to:

- Coordinating and facilitating outreach efforts to share information and ideas as well as to generate stakeholder participation;
- Supporting and promoting venues that involve both residents and visitors;
- Communicating the economic significance of Hawaii's tourism industry to the government, media, business and the community at large;
- Advocating tourism issues at various government levels; and
- Developing and strengthening partnerships between government, private organizations and educational institutions that support tourism and which encourage public education of tourism.

Strategic Initiative B: LEISURE MARKETING

STRATEGY: To promote Hawaii as a preferred destination for leisure tourism by increasing promotional presence and brand identity to more globally competitive levels that optimizes performance in each Major Market Area (MMA).

- ***Structure marketing efforts to stimulate demand during shoulder periods (spring and fall).***
- ***Leverage HTA resources for brand marketing by collaborating with tourism and other business partners on cooperative programs.***

The HTA's primary responsibility is to oversee the marketing and promotion of Hawaii to the world. Increasing promotional presence and solidifying Hawaii's brand identity will be at the core of the HTA's efforts. The overriding priority is to allocate marketing resources at globally competitive levels so as to increase the total expenditures made by visitors in Hawaii, thus creating jobs and generating tax revenues.

In the past, even with Hawaii's great product and well-recognized brand, Hawaii has been overshadowed in the global promotional battle. Hawaii was unable to apply sufficient marketing resources to keep in front of consumers and to maintain its fair market share. As a result, visitor expenditures declined. With the creation of the dedicated Tourism Special Fund, Hawaii is able to deliver a more globally competitive marketing and promotional effort.

With the ability to apply additional resources, comes the need for a more sophisticated approach to marketing and the responsibility to measure effectiveness of expenditures. To facilitate enhanced marketing focus and improve the ability to assess effectiveness of marketing expenditures, the HTA has segmented the world into the following major market areas (MMAs):

- | | |
|------------|------------------|
| 1. US West | 6. Latin America |
| 2. US East | 7. Other Asia |
| 3. Japan | 8. Oceania |
| 4. Canada | 9. Other |
| 5. Europe | |

The MMAs represent geographic areas around the world that have roughly similar travel characteristics. Visitor statistics, particularly visitor spending patterns, will be measured for each MMA.

Resource allocations to the MMAs will be based on obtaining the highest return on investment in terms of visitor expenditures, not just arrivals. Separate marketing strategies and performance allocations will be made for each MMA. See Appendix C for a summary of individual MMA strategies.

Currently, the leisure travelers provide approximately 82% of visitor expenditures. The strategic goal for leisure marketing is to attain 65-70% of total visitor expenditures in the long term.

Strategic Initiative C: BUSINESS TOURISM MARKETING

STRATEGY: To promote Hawaii as a preferred destination for business tourism by increasing media awareness and brand identity on a global basis.

While Hawaii is well established as a premier leisure destination, the HTA has recognized the potential of growing the business tourism sector as it is a high-yielding sector of the travel industry. Specifically, research has shown business travelers have higher spending patterns than leisure travelers as well as a potential for increasing airline yield. As such, this strategy will focus on:

1. Hawaii Convention Center
2. Meetings, Conventions and Incentives
3. Business Development Marketing

The HTA defines Business Tourism Marketing as travel to Hawaii primarily to attend a meeting, convention or incentive conference, traveling for government business and traveling for business to enhance or develop business opportunities.

The HTA will continue to measure the performance of the business tourism market in conjunction with the HTA's tourism research arm at the Department of Business, Economic Development and Tourism (DBEDT).

Currently, the business tourism market provides approximately 18% of total visitor expenditures. The strategic goal for business marketing is to attain 30-35% of total visitor expenditures in the long term.

See Appendix D for a summary of Business Tourism Marketing strategies.

Strategic Initiative D: SPORTING EVENTS

STRATEGY: *Develop a comprehensive portfolio of sporting events that:*

- *Generate awareness of the Hawaii brand and establish Hawaii as the preferred destination for high-profile, quality sports events through national and international media exposure; and*
- *Attract visitors to Hawaii as participants and spectators.*

The HTA will focus on developing a year-round portfolio of high-quality sporting events — an integral part of the state's overall marketing plan. These events will include some of the most notable and prestigious events in the world of professional and college football, college basketball, professional golf, endurance, Olympic-caliber and ocean sports. Through national and international television and other worldwide media outlets, Hawaii will be established as the world's leading warm-weather sports event destination.

There are four categories of events that make up HTA's portfolio:

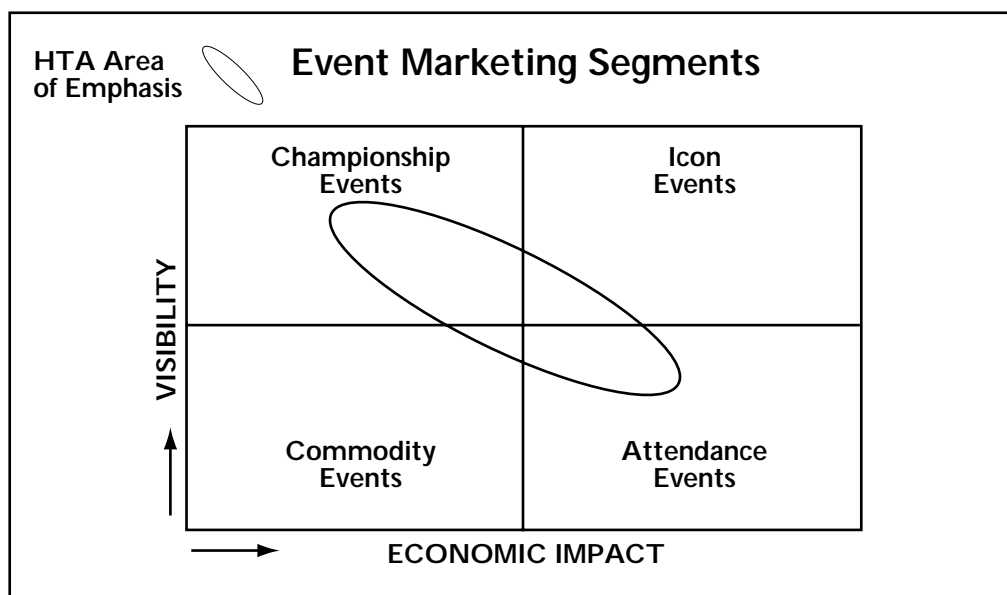
- 1) **Icon Events.** These are high-profile events that provide substantial worldwide media coverage and generate significant economic impact.

Examples include the Olympics and the Super Bowl, and in Hawaii's case, the Pro Bowl. Due to the considerable facility, infrastructure and labor requirements needed to accommodate such events, no significant efforts by the HTA will be expended to attract additional Icon events (unless proven to be cost-effective). The HTA will continue to leverage its existing icon event.

- 2) **Championship Events.** These events represent important professional and high-level amateur competitions and world championships in lifestyle categories such as the Mercedes Championships, USA Gymnastics National Championships and the Ironman World Championships. These events produce solid visibility for Hawaii, but not on the scale as the Icon Events. From a Return on Investment standpoint, these events present the greatest value in the HTA portfolio, and thus the HTA will focus most of its resources on such events.

- 3) **Attendance Events.** These events attract large numbers of people as participants and spectators but do not necessarily generate significant visibility for Hawaii. Examples include the US Masters Swimming Championships, the Maui Marathon, and the Honolulu Marathon.

Exhibit 3



These types of events are valuable to maintain in HTA's portfolio because they provide benefits to the local economy, are plentiful in the event marketplace, occur throughout the year, and are supported by the residents.

- 4) **Commodity Events.** As these events have appeal to their respective special interest groups, they generally are less visible and thus, have less economic impact. Examples include the Women's World Bodyboarding Championships and the Aloha Classic. As such, the HTA will continue to review its support of these activities.

Sporting events bring pride to the community and provide a positive leisure activity for attendance participation. Every event in the state requires the support of numerous volunteers, which creates a sense of contribution and being a part of something significant. As an example, in the case of the Pro Bowl, over 1,300 volunteers participate. In addition, there is a charitable component to almost every major sporting event, and in Hawaii's case, this translates to benefits for various state charities.

The HTA will also investigate the formation of a private sector Hawaii Sports Authority which would organize and fund sports development to maximize the social and economic benefits to the community as well as enhancing the quality of life by promoting a sense of family and community pride.

Additionally, there is a desire to increase the quality and potentially the quantity of sporting events in Hawaii that occur during the "shoulder seasons" when visitor counts traditionally decline. The HTA will endeavor to provide an annual calendar of events to optimize visitor expenditures while minimizing the fluctuations in visitor arrivals. As such, the successful implementation of this initiative will also mitigate airlift concerns as it relates to load capacity in the "off season" by increasing airlift capacity to Hawaii.

See Appendix E for additional information.

Strategic Initiative E: TOURISM PRODUCT ENRICHMENT & DIVERSIFICATION

STRATEGY: *Diversify and enrich Hawaii's tourism product by developing new and enhancing existing community-based tourism events, experiences, attractions and projects related to the niches of agriculture, culture, education, health and wellness, nature, and technology to complement Hawaii's traditional resort product and assist in overall economic diversification.*

For this initiative, the HTA defines Tourism Product Enrichment & Diversification as those tourism-related programs, events, activities, attractions and experiences Hawaii offers in the niche markets described below, which provide visitors with a glimpse of our island lifestyle and culture and that are embraced and supported by the community. In addition, these programs and activities support the HTA's goals of increasing visitor spending and extending the length of stay.

In carrying out this initiative, the Authority will provide the leadership and resources to work with island and community organizations to grow and enrich Hawaii's inventory of tourism product offerings to the visitors within the niche areas of agriculture, culture, education, health and wellness, nature, and technology. The expanded offerings will complement Hawaii's traditional leisure tourism product offerings, create entrepreneurial opportunities in the private sector and assist in the overall diversification of Hawaii's economy.

As dynamic activity exists within each niche area below, HTA resources will support efforts to raise Hawaii's tourism product offerings to higher levels. Specifically, the HTA in collaboration with community and island groups will: (1) assist in establishing clear and defined markets for each niche area; (2) explore synergies between tourism products; (3) provide and coordinate information about the offerings to residents and visitors alike; and (4) assist in seeking federal support for expanding the niche and festival areas.

Agri Tourism is tourism related to experiencing and appreciating Hawaii's agricultural products, settings and lifestyles.

Cultural Tourism is tourism related to Hawaii's host and multi-ethnic cultures that provide residents and visitors with enriching experiences and insights into the history, customs, art and traditions of our islands.

Edu Tourism is travel for the purpose of formal and informal education and training in life-long learning experiences in Hawaii's unique natural and multi-cultural environment.

Health and Wellness Tourism is travel for the purpose of enhancing the wellness of the mind, body, and spirit of individuals, families, and groups.

Eco Tourism is nature-based travel to Hawaii's natural attractions to experience and study Hawaii's unique flora, fauna, and culture in a manner which is ecologically responsible, economically sustainable, encourages the well-being of the local community, and is infused with the spirit of aloha aina.

Techno Tourism is travel for the purpose of utilizing Hawaii's Science and Technology state and federal assets as well as attending conferences and symposiums devoted to the enhancement of these resources.

In addition, Tourism Product Enrichment and Diversification includes those major festivals which portray the diversity and culture of Hawaii and engender significant attendance and marketing activity within and outside the state.

See Appendix F for additional information.

Strategic Initiative F: AIRLIFT

STRATEGY: Facilitate sustainable growth in airlift to Hawaii that enhances business relationships between the air carriers and state of Hawaii.

It is widely recognized that in marketing a visitor destination, the challenge is how to ensure that the critical transportation resources are sufficient to carry enough customers to the market. All of Hawaii's most effective marketing efforts fall short of success if air carriers choose not to support the tourism plant with sufficient capacity.

A fair assumption can be made that decisions to fly routes with particular frequency and equipment are deliberate and complex. These decisions are based on a variety of factors, including marketing costs, distribution networks, airport issues, route and hub strategies, international agreements, and yields.

Because Hawaii is significantly dependent on air transportation companies for tourism customers, it is critical that tourism planners — and hopefully a broad base of business leaders as well — seek and maintain as thorough an understanding of airline economics as possible. This is particularly important when it comes to understanding the decision-making process leading to changes in airline service to the islands.

The airline industry entered a new era as a result of the terrorist attacks of the U.S. on September 11, 2001. For the first time, the air travel system was grounded, reinforcing the importance and vulnerability of the airline industry. Since then, the airline industry has experienced severe declines in passenger loads, lower yields (amount passenger paid to fly per mile), and increased concern for air safety and security. Consequently, many carriers have had to cut costs, reduce less-productive flights, eliminate jobs, and defer new aircraft orders.

The cuts to domestic air service in the Hawaii market have been minimal as Hawaii continues to be a desirable destination. Conversely, Japan service has been severely impacted, and despite the successes in the domestic U.S., as the total number of arrivals is down over 50 percent through October 15, 2001. The tourism industry is looking to improve Asia travel and to encourage domestic carriers to keep and add service to make up

for the decline. It is too early to tell what the long-term effects might be, but with many areas in the US being negatively affected by the decline in service, Hawaii needs to be proactive in working with the airlines.

The HTA intends to initiate efforts to increase awareness, industry and public support, direct communication, and develop new partnerships with airline companies, which will result in maintaining existing and increasing additional airline service to Hawaii. The HTA will also advocate changes in airport operations and policies that will make it more cost effective for airline companies, encouraging the desired effect of increasing and stabilizing service to Hawaii. In addition, the HTA will support efforts to initiate new direct and/or non-stop service from cities not adequately connected to Hawaii, but at the same time, will be sensitive to how such service may impact the viability of Hawaii's unique inter-island air system.

The HTA will address airlift issues in tandem with its marketing, sporting events and tourism product enrichment and diversification initiatives in order to maximize Hawaii's ability to stimulate demand during shoulder periods and cultivate the higher-yielding business traveler.

Strategic Initiative G: ADVOCACY AND REPRESENTATION FOR TOURISM

STRATEGY: *Provide advocacy and representation for the natural environment and public recreational areas, tourism investment, tourism-related infrastructure, and tourism support services for the purpose of strengthening the industry, enhancing the Hawaii visitor experience and enriching residents' quality of life.*

The HTA will not be limited to marketing and promotion. It will be involved in the overall management of Hawaii tourism for the benefit of visitors and residents alike. The Authority will provide a unified "voice" in providing representation and advocacy for initiatives that strengthen tourism, enhance the visitor experience, enrich resident quality of life, and are supported by the community-at-large.

Hawaii's future economic health is largely dependent on its ability to provide a safe, secure environment for visitors and residents. An actual increase in crimes against visitors to Hawaii — or even the perception of such an increase — and the resultant negative feelings about the destination can adversely impact future visitor arrivals and expenditures. This in turn impacts both the tax revenues that support public facilities, infrastructure, and services and the visitor industry jobs that support our residents' livelihood and quality of life. The HTA will work with industry, business, government and community entities to coordinate public safety and security efforts to ensure Hawaii remains a safe travel destination.

Hawaii's natural environment and public recreational areas which includes parks, beaches, and other such facilities are key visitor and resident resources that are, at present, inadequately funded, supported and maintained. In addition to providing advocacy and collaborating with the lead city, state and federal agencies in this area, the Authority will also explore other public and private funding opportunities for such projects as preservation of specific natural attraction sites and resources, highway beautification, and trail enhancements.

A visitor's first experience of Hawaii most often begins with the arrival experience at state airports. Therefore,

it is imperative that the arrival experience at all state airports convey the aloha spirit to our visitors. To this end, the Authority will work in collaboration with the appropriate public and private entities to promote improvements at all state airports in architecture, landscaping, art and signage, security, and development of a "Hawaiian sense of place" experience.

Other visitors experience Hawaii through the eyes of a cruise ship passenger, arriving and departing at harbors throughout the state. Built as small boat harbors or to handle cargo needs for each island, the majority of Hawaii's cruise facilities are inadequate and unattractive for the current and projected needs of the industry. The HTA will continue to do research on the cruise industry for the purpose of developing policies to advocate for cruise-related issues. The HTA will also advocate for further development of island cruise facilities as well as support programs that enhance visitors' arrival and departure experiences at those points. Further, the Authority will examine funding opportunities for harbor and facility enhancement to expand Hawaii's market share in this burgeoning market.

As Hawaii initiates increased efforts to promote itself as a business destination, it will have to ensure that there is sufficient infrastructure to accommodate this market. To meet the needs of current and future business travelers, Hawaii must ensure that it has the proper business support facilities and information technology to enable travelers to transact business efficiently around the clock. The HTA will advocate for the improvement and upgrade of Hawaii's visitor infrastructure, including the hotels and airports, and information technology.

Under this initiative, the HTA will also be proactive in collaborating with the appropriate public and private agencies in various efforts that strengthen tourism including, but not limited to:

- Research and/or advocate for measures that support those working in the visitor industry;
- Be a liaison and partner with institutions responsible for the development and education of visitor industry personnel; and
- Initiate, support and advocate measures that revitalize key tourist destination areas throughout

the state. Such efforts are crucial to ensuring that Hawaii's a highly desirable place for our multiple visitor markets. As such, the HTA will be proactive in advocating measures to stimulate capital investment in such areas to reconfigure and restore its lost attributes.

Strategic Initiative H: LONG-RANGE PLANNING

STRATEGY: *To perform long-range planning for a strengthened visitor industry that will significantly contribute to the state's economy, benefit Hawaii's community, and sustain Hawaii's natural and cultural resources.*

To ensure that Hawaii remains a high-quality destination for visitors and the “best place to live and work” for residents, the HTA will take an active role in long-range planning for sustainable tourism growth by examining future trends as well as analyzing social and economic impact. In particular, the HTA will provide leadership in planning for future sustainable tourism development and enhancement through continued research and monitoring of various issues.

Future Trends: As Hawaii's competition grows and new destinations develop, the HTA will continue to conduct research to monitor trends as well as assess the impacts of tourism. The HTA will work with the Department of Business, Economic Development and Tourism, in addition to its marketing contractors and other tourism, marketing, and/or academic research agencies, for these purposes. The information will also be shared with our partners in travel, business, government and the general community to allow them to make informed decisions.

The HTA recognizes that what makes Hawaii distinct from other destinations is the “aloha spirit” that is conveyed through Hawaii's people. Our residents' interaction with visitors can be both positive, and unfortunately, negative at times. In determining the residents' sentiments on tourism, the HTA will conduct periodic surveys, focus groups and community outreach efforts to assess the community's pulse.

Without a doubt, Hawaii's natural environment is a major asset to the visitor industry, and without proper maintenance and protection, Hawaii would lose the one thing that makes its islands unique. Working with the Department of Land and Natural Resources, the HTA will seek to monitor visitor impacts on Hawaii's natural resources, such as our parks, beaches, and hiking trails. The HTA will also work and partner with other key state and local environmental agencies to obtain and provide information for environmentally sensitive development of tourism.

As meaningful data is obtained, the information will be used in a number of ways:

- For strategic planning purposes and improved decision-making for destination competitiveness. The HTA will use information to formulate future policies and develop strategic plans and actions for issues related to marketing, airlift, and natural resources. The visitor industry, business sector and other governmental agencies will also be able to use the information as well, to support their business forecasting, investment planning, and decision making.

For example, the HTA is working with DBEDT, the lead agency for conducting a Sustainable Tourism Study. This study will look at the environmental, social, economic impacts of tourism on visitor related infrastructure. It is intended to provide an information database, an analysis of potential consequences, and a basis for pro-active responses. The study will also be used as a planning tool for the State to develop a strategy to ensure that growth is managed in a way that the quality of life of residents and the quality of the visitors' experience remain high.

- To be a catalyst for on-going education and consensus-building in relationships for the development of traditional and new tourism products. *Local communities must play a meaningful role in planning for new types of tourism products if broad community acceptance of them is to be achieved.* As such, the HTA will offer assistance to work with communities, and city and county planning offices to ensure that the appropriate type of tourism is being developed in their community.
- To provide direction to link tourism with economic diversification. There is a distinct need for diversification both within tourism (more business tourism, new niches, etc.) and from tourism—i.e., using tourism advertising as a way to promote Hawaii products (food, educational facilities, etc.) and to attract investors in technology, business conferences, etc. The HTA will be an effective coordinator between the public sector and the private sector for this purpose.

Moving Forward

This is the dawn of a new era for tourism in Hawaii. For the first time, a true partnership between business and government has been created to oversee tourism marketing and development from a statewide perspective, and a source of dedicated funding at a globally competitive level has been provided to fund these activities.

While Hawaii enjoyed solid and sustained economic growth in past years, tourism has become an increasingly competitive business. Furthermore, Hawaii and the rest of the world will need to recover from the September 11, 2001 crisis. The HTA will achieve success by embracing the desires and concerns of the community, skillfully using the tools entrusted by the Hawaii State Legislature, and implementing the strategies outlined in this plan.

The HTA looks forward to implementing this plan with Hawaii's business and community leaders. The Authority firmly believes that this document offers guidelines for sensible growth that will provide economic stability for the community. Integrity for the host culture, and respect and responsibility for the visitor relationship have shaped the strategies of the plan, and with the support of Hawaii's communities, government, and private sector, the Hawaiian Islands will once again become the most exciting, premier visitor destination in the world.

APPENDIX A:

Targets for Managed Economic Growth By State and County

Situation Analysis

Visitor expenditures are the product of three variables: (1) number of visitor arrivals; (2) length-of-stay; and (3) expenditures per person per day (PPPD). Generally, discussions regarding the health of the visitor industry have been centered around visitor arrivals. Using visitor arrivals as a measure of success is problematic for several reasons:

- Visitor spending varies by market – some visitors spend less per day than others;
- Visitor lengths-of-stay vary by market – certain types of visitors (e.g., Canadians and Europeans) tend to stay in Hawaii much longer than other types of visitors – ultimately spending more overall than other shorter-staying visitors; and
- Hawaii has a finite wealth of resources – sustainable tourism is critical for the long-term success of the industry, as well as maintaining the integrity of the host culture. A focus on growth in visitor expenditures rather than visitor arrivals is key to sustainable tourism.

Since the visitor industry will continue, at least in the near-term, to be Hawaii's most important economic resource it is important that strategies for economic growth be implemented to ensure the prosperity of the state. Due to the inaccuracies and potential conflicts that occur when visitor arrival numbers are used to measure economic success, this plan was developed around a more accurate measure of economic health – visitor expenditures.

In addition, the strategies of this plan were developed in accordance with the Major Market Areas identified within the plan, to keep the spending habits and typical lengths-of-stay in proper focus when working to achieve economic growth through total visitor expenditures.

Table 1 below, identifies targets for State-wide visitor arrivals, length-of-stay, and spending, which results in the overall target for growth in visitor expenditures. These targets are discussed in the Tourism Strategic Plan and presented as general State goals.

Expenditure growth goals for each county are more complex, and have not yet been fully articulated. The

development of targets for growth in visitor expenditures by county will account for the infrastructure already existing on each island, the unique product each island offers, potential markets, growth opportunities and most importantly, resident attitudes.

In the absence of more refined targets, Tables 2 through 9 are included. Tables 2 through 7 outline targets for visitor expenditures, visitor days, arrivals, average length of stay, per person per day spending (PPPD) and per person per trip spending by Major Market Areas (MMAs). Tables 8-9 outline targets for visitor days and arrivals by island. Tables 10-11 provide historical data on PPPD and visitor expenditures by island for 2000 and Table 12 provides the amount of TAT to be collected based upon HTA's goals for 2002-2003.

Table 1. Actual and Targeted Visitor Growth and Economic Growth: 1998 – 2003

	Actual			Projected 2001	Targeted	
	1998	1999	2000		2002	2003
GSP in current dollars	36,465.2	37,395.1	39,394.3	40,408.9	41,188.0	42,645.2
GSP in constant 1992 dollars	33,362.5	33,872.3	35,142.1	35,584.6	35,805.2	36,452.3
GSP deflator (1992=100)	109.3	110.4	112.1	113.6	115.0	117.0
Real GSP growth rate (%)	2.1	1.5	3.7	1.3	0.6	1.8
Wage and salary jobs	538,800	542,750	559,350	562,594	559,036	573,237
Wage and salary job growth rate (%)	0.0	0.7	3.1	0.6	(0.6)	2.5
Inflation rate, %			1.7	1.3	1.3	1.7
Visitor expenditures (\$mil.)	10,309.2	10,279.7	10,918.1	10,055.6	10,347.2	11,371.6
Visitor expenditure growth rate (%)	(1.7)	(0.3)	6.2	(7.9)	2.9	9.9
Per person per day spending (\$)	179.5	171.3	176.9	177.3	177.2	183.7
Average length of stay (Days)	8.71	8.90	8.88	8.95	8.94	8.94
Visitor days (days)	57,446,913	60,020,237	61,721,150	56,729,483	58,376,326	61,917,251
Visitor day growth rate (%)	0.1	4.5	2.8	(8.1)	2.9	6.1
Visitor arrivals (persons-trips)	6,595,790	6,741,037	6,948,595	6,341,065	6,531,123	6,925,777
Visitor arrival growth rate (%)	(2.4)	2.2	3.1	(8.7)	3.0	6.0

Table 2. Actual and Targeted Visitor Expenditures by MMA: 1998 – 2003

	Actual			Average of 1998-2000	Projected 2001	Targeted	
	1998	1999	2000			2002	2003
Total expenditures	10,309.2	10,279.7	10,918.1	10,502.3	10,055.6	10,347.2	11,371.6
US West	2,736.9	3,040.9	3,455.8	3,077.9	3,283.0	3,383.4	3,724.0
US East	2,591.1	2,735.4	2,996.8	2,774.4	2,799.8	2,891.3	3,188.9
Japan	2,932.5	2,359.2	2,370.4	2,554.0	2,102.7	2,158.5	2,377.9
Canada	346.2	479.6	451.5	425.8	410.3	421.2	461.7
Europe	422.4	296.5	263.8	327.6	250.6	251.7	268.6
Oceania	185.7	182.7	132.3	166.9	126.2	127.8	138.2
Other Asia	191.7	174.5	192.8	186.3	167.5	172.0	188.5
Latin America	27.8	29.4	32.1	29.8	30.5	31.4	34.5
Other	476.0	545.8	500.3	507.4	403.9	414.8	444.7
Business supplements	398.9	435.7	522.3	452.3	481.0	495.2	544.4
Annual growth rate from previous year, %							
Total expenditures		-0.3	6.2	3.0	-7.9	2.9	9.9
US West		11.1	13.6	12.4	-5.0	3.1	10.1
US East		5.6	9.6	7.6	-6.6	3.3	10.3
Japan		-19.5	0.5	-9.5	-11.3	2.7	10.2
Canada		38.5	-5.9	16.3	-9.1	2.6	9.6
Europe		-29.8	-11.0	-20.4	-5.0	0.4	6.7
Oceania		-1.6	-27.6	-14.6	-4.6	1.3	8.1
Other Asia		-9.0	10.5	0.8	-13.1	2.7	9.6
Latin America		5.8	9.2	.5	-5.0	2.9	9.9
Other		14.7	-8.3	3.2	-19.3	2.7	7.2
Business supplements		9.2	19.9	14.6	-7.9	2.9	9.9

Table 3. Actual and Targeted Visitor Days by MMA: 1998- 2003

	1998	Actual 1999	2000	Average of 1998-2000	Projected 2001	Targeted	
						2002	2003
Total visitor days	57,446,913	60,020,237	61,721,150	59,729,433	56,729,483	58,376,326	61,917,251
US West	20,663,240	22,412,943	23,978,995	22,351,726	22,635,727	23,327,834	24,787,828
US East	15,495,022	16,378,571	17,673,292	16,515,628	16,401,608	16,937,870	18,034,774
Japan	11,374,984	10,377,326	10,097,846	10,616,719	8,901,213	9,137,447	9,717,735
Canada	2,556,955	3,351,926	3,081,557	2,996,813	2,782,602	2,856,280	3,022,964
Europe	2,210,728	2,189,957	1,996,697	2,132,461	1,884,872	1,892,839	1,950,437
Oceania	964,632	941,145	773,573	893,117	733,267	742,507	775,017
Other Asia	858,790	905,320	988,880	917,663	853,932	876,587	927,788
Latin America	212,533	170,268	178,884	187,228	168,755	173,654	184,247
Other	3,110,029	3,292,780	2,951,426	3,118,078	2,367,508	2,431,308	2,516,461
Annual growth rate from previous year, %							
Total visitor days	0.1	4.5	2.8	2.5	-8.1	2.9	6.1
US West	2.5	8.5	7.0	6.0	-5.6	3.1	6.3
US East	4.8	5.7	7.9	6.1	-7.2	3.3	6.5
Japan	-6.9	-8.8	-2.7	-6.1	-11.9	2.7	6.4
Canada	-10.6	31.1	-8.1	4.1	-9.7	2.6	5.8
Europe	-4.3	-0.9	-8.8	-4.7	-5.6	0.4	3.0
Oceania	4.5	-2.4	-17.8	-5.2	-5.2	1.3	4.4
Other Asia	-50.8	5.4	9.2	-12.0	-13.6	2.7	5.8
Latin America	13.5	-19.9	5.1	-0.4	-5.7	2.9	6.1
Other	41.9	5.9	-10.4	12.5	-19.8	2.7	3.5

Table 4. Actual and Targeted Visitor Arrivals by MMA: 1998 – 2003

	1998	Actual 1999	2000	Average of 1998-2000	Projected 2001	Targeted	
						2002	2003
Total visitor arrivals	6,595,790	6,741,037	6,948,595	6,761,807	6,341,065	6,531,123	6,925,777
US West	2,125,993	2,308,836	2,432,444	2,289,091	2,308,918	2,387,188	2,533,173
US East	1,508,698	1,601,238	1,712,712	1,607,549	1,598,155	1,649,222	1,756,036
Japan	2,004,354	1,825,588	1,817,643	1,882,528	1,587,546	1,622,857	1,729,349
Canada	232,592	252,777	251,843	245,737	222,451	233,173	240,610
Europe	182,766	183,868	166,973	177,869	157,432	157,943	163,129
Oceania	107,116	111,205	95,974	104,765	88,755	90,983	94,384
Other Asia	114,480	129,564	152,543	132,196	119,827	24,790	134,360
Latin America	21,379	17,305	18,150	18,945	17,083	17,579	18,680
Other	298,412	310,656	300,313	303,127	240,898	247,390	256,054
Annual growth rate from previous year, %							
Total visitor Arrivals	-2.4	2.2	3.1	0.9	-8.7	3.0	6.0
US West	2.6	8.6	5.4	5.5	-5.1	3.4	6.1
US East	4.5	6.1	7.0	5.9	-6.7	3.2	6.5
Japan	-9.6	-8.9	-0.4	-6.3	-12.7	2.2	6.6
Canada	10.1	8.7	-0.4	6.1	-11.7	4.8	3.2
Europe	-5.7	0.6	-9.2	-4.7	-5.7	0.3	3.3
Oceania	-10.7	3.8	-13.7	-6.9	-7.5	2.5	3.7
Other Asia	-50.5	13.2	17.7	-6.5	-21.4	4.1	7.7
Latin America	NA	-19.1	4.9	-4.7	-5.9	2.9	6.3
Other	9.7	4.1	-3.3	3.5	-19.8	2.7	3.5

Table 5. Actual and Targeted Average Length of Stay by MMA: 1998 – 2003

	1998	Actual 1999	2000	Average of 1998-2000	Projected 2001	Targeted	
						2002	2003
LOS	8.71	8.90	8.88	8.83	8.95	8.94	8.94
US West	9.72	9.71	9.86	9.76	9.80	9.77	9.79
US East	10.27	10.23	10.32	10.27	10.26	10.27	10.27
Japan	5.68	5.68	5.56	5.64	5.61	5.63	5.62
Canada	10.99	13.26	12.24	12.16	12.51	12.25	12.56
Europe	12.10	11.91	11.96	11.99	11.97	11.98	11.96
Oceania	9.01	8.46	8.06	8.51	8.26	8.16	8.21
Other Asia	7.50	6.99	6.48	6.99	7.13	7.02	6.91
Latin America	9.94	9.84	9.86	9.88	9.88	9.88	9.86
Other	10.42	10.60	9.83	10.28	9.83	9.83	9.83
Annual growth rate from previous year, %							
All MMAs	2.6	2.2	-0.2	1.5	0.7	-0.1	0.0
US West	-0.1	-0.1	1.6	0.4	-0.6	-0.3	0.1
US East	0.4	-0.4	0.9	0.3	-0.5	0.1	0.0
Japan	2.9	0.2	-2.3	0.3	0.9	0.4	-0.2
Canada	-18.8	20.6	-7.7	-2.0	2.2	2.1	2.6
Europe	1.4	-1.5	0.4	0.1	0.1	0.1	-0.2
Oceania	17.1	-6.0	-4.8	2.1	2.5	-1.2	0.6
Other Asia	-0.4	-6.9	-7.2	-4.8	9.9	-1.4	-1.7
Latin America	0.6	-1.0	0.2	-0.1	0.2	0.0	-0.2
Other	29.3	1.7	-7.3	7.9	0.0	0.0	0.0

Table 6. Actual and Targeted Per Person Per Day Spending by MMA: 1998 – 2003

	1998	Actual 1999	2000	Average of 1998-2000	Projected 2001	Targeted	
						2002	2003
PPPD	179.5	171.3	176.9	175.9	177.3	177.2	183.7
US West	132.5	135.7	144.1	137.4	145.0	145.0	150.2
US East	167.2	167.0	169.6	167.9	170.7	170.7	176.8
Japan	257.8	227.3	234.7	239.9	236.2	236.2	244.7
Canada	135.4	143.1	146.5	141.7	147.5	147.5	152.7
Europe	191.1	135.4	132.1	152.9	133.0	133.0	137.7
Oceania	192.5	194.2	171.0	185.9	172.1	172.1	178.3
Other Asia	223.2	192.7	194.9	203.6	196.2	196.2	203.2
Latin America	130.7	172.8	179.6	161.0	180.8	180.8	187.2
Other	153.1	165.7	169.5	162.8	170.6	170.6	176.7
PPPD growth rate, %							
All MMAs		-4.6	3.3	-0.6	0.2	0.0	3.6
US West		2.4	6.2	4.3	0.6	0.0	3.6
US East		-0.1	1.6	0.7	0.6	0.0	3.6
Japan		-11.8	3.3	-4.3	0.6	0.0	3.6
Canada		5.7	2.4	4.0	0.6	0.0	3.6
Europe		-29.1	-2.4	-15.8	0.6	0.0	3.6
Oceania		0.9	-11.9	-5.5	0.6	0.0	3.6
Other Asia		-13.7	1.1	-6.3	0.6	0.0	3.6
Latin America		32.2	3.9	18.1	0.6	0.0	3.6
Other		8.2	2.3	5.3	0.6	0.0	3.6

Table 7. Actual and Targeted Per Person Per Trip Spending by MMA: 1998 – 2003

	1998	Actual 1999	2000	Average of 1998-2000	Projected 2001	Targeted	
						2002	2003
All MMAs	1,563.38	1,525.21	1,571.32	1,553.30	1,585.79	1,584.29	1,641.92
US West	1,287.81	1,317.30	1,420.54	1,341.88	1,421.88	1,417.31	1,470.11
US East	1,717.22	1,708.19	1,750.08	1,725.17	1,751.89	1,753.15	1,815.99
Japan	1,463.05	1,292.06	1,303.87	1,352.99	1,324.49	1,330.06	1,375.01
Canada	1,488.49	1,897.56	1,792.58	1,726.21	1,844.46	1,806.24	1,918.97
Europe	2,311.53	1,612.68	1,579.68	1,834.63	1,591.86	1,593.42	1,646.70
Oceania	1,733.56	1,643.55	1,378.30	1,585.13	1,421.93	1,404.60	1,463.93
Other Asia	1,674.37	1,346.48	1,263.46	1,428.10	1,397.96	1,377.98	1,403.14
Latin America	1,299.33	1,700.18	1,770.11	1,589.88	1,785.75	1,785.75	1,846.84
Other	1,595.60	1,756.33	,665.82	,672.58	1,676.65	1,676.65	1,736.75
PPPT growth rate, %		-2.4	3.0	0.3	0.9	0.1	3.6
US West		2.3	7.8	5.1	0.1	-0.3	3.7
US East		-0.5	2.5	1.0	0.1	0.1	3.6
Japan		-11.7	0.9	-5.4	1.6	0.4	3.4
Canada		27.5	-5.5	11.0	2.9	-2.1	6.2
Europe		-30.2	-2.0	-16.1	0.8	0.1	3.3
Oceania		-5.2	-16.1	-10.7	3.2	-1.2	4.2
Other Asia		-19.6	-6.2	-12.9	10.6	-1.4	1.8
Latin America		30.8	4.1	17.5	0.9	0.0	3.4
Other		10.1	-5.2	2.5	0.6	0.0	3.6

Table 8. Actual and Targeted Visitor Days by Island: 1998 – 2003

	1998	Actual 1999	2000	Average of 1998-2000	Projected 2001	Targeted	
						2002	2003
State	57,446,913	60,020,237	61,721,150	59,729,433	56,729,483	58,376,326	61,917,251
Oahu	26,507,565	29,016,511	31,077,256	28,867,111	28,790,816	29,684,983	31,547,498
Maui	14,760,423	15,299,907	15,305,825	15,122,052	14,067,974	14,470,526	15,342,071
Molokai	422,437	346,827	331,090	366,785	303,746	13,147	332,761
Lanai	462,341	410,271	413,706	428,773	385,921	396,540	419,974
Kauai	6,536,868	6,647,963	6,603,048	6,595,960	5,671,923	5,830,740	6,178,223
Big Island	8,757,279	8,298,758	7,990,225	8,348,754	7,509,102	7,680,389	8,096,723
Hilo 1,934,521	1,823,057	1,499,065	1,752,214	1,408,050	1,439,400	1,516,616	
Kona	6,822,757	6,475,702	6,491,159	6,596,539	6,101,053	6,240,989	6,580,107
Annual growth rate from previous year, %							
State	0.1	4.5	2.8	2.5	-8.1	2.9	6.1
Oahu	-4.6	9.5	7.1	4.0	-7.4	3.1	6.3
Maui	1.2	3.7	0.0	1.6	-8.1	2.9	6.0
Molokai	-24.3	-17.9	-4.5	-15.6	-8.3	3.1	6.3
Lanai	-32.7	-11.3	0.8	-14.4	-6.7	2.8	5.9
Kauai	11.9	1.7	-0.7	4.3	-14.1	2.8	6.0
Big Island	10.8	-5.2	-3.7	0.6	-6.0	2.3	5.4
Hilo -4.7	-5.8	-17.8	-9.4	-6.1	2.2	5.4	
Kona	16.2	-5.1	0.2	3.8	-6.0	2.3	5.4

Table 9. Actual and Targeted Visitor Arrivals by Island: 1998 – 2003

	1998	Actual 1999	2000	Average of 1998-2000	Projected 2001	Targeted 2002	2003
State	6,595,790	6,741,037	6,948,595	6,761,807.51	6,341,065	6,531,123	6,925,777
Oahu	4,601,834	4,560,142	4,719,244	4,627,073.15	4,300,205	4,399,185	4,725,444
Maui	2,243,912	2,278,933	2,246,254	2,256,366.49	2,056,847	2,126,054	2,258,393
Molokai	75,245	69,657	64,558	69,819.89	68,433	68,222	69,702
Lanai	97,434	94,546	87,661	93,213.57	86,348	86,802	92,830
Kauai	1,078,400	1,089,289	1,074,821	1,080,836.40	1,040,498	1,071,865	1,136,884
Big Island	1,340,767	1,307,720	1,267,966	1,305,484.43	1,204,427	1,238,088	1,316,241
Hilo	413,935	429,781	370,192	404,635.78	347,716	349,916	372,559
Kona	1,137,993	1,093,524	1,101,403	1,110,973.56	1,036,612	1,053,491	1,114,089
Annual from previous year, %			growth				rate
State	-2.4	2.2	3.1	0.9	-8.7	3.0	6.0
Oahu	-5.6	-0.9	3.5	-1.0	-8.9	2.3	7.4
Maui	-0.8	1.6	-1.4	-0.2	-8.4	3.4	6.2
Molokai	-5.9	-7.4	-7.3	-6.9	6.0	-0.3	2.2
Lanai	-8.1	-3.0	-7.3	-6.1	-1.5	0.5	6.9
Kauai	8.2	1.0	-1.3	2.6	-3.2	3.0	6.1
Big Island	11.3	-2.5	-3.0	1.9	-5.0	2.8	6.3
Hilo	9.2	3.8	-13.9	-0.3	-6.1	0.6	6.5
Kona	11.0	-3.9	0.7	2.6	-5.9	1.6	5.8

Table 10. Per Person Per Day Spending (in dollars): 2000

	US West	US East	Japan	Canada	Europe	Oceania
Oahu	132	157	235	138	121	175
Maui	174	205	251	182	167	213
Molokai	181	125	224	132	174	214
Lanai	162	165	217	197	180	214
Kauai	167	191	250	160	158	205
Big Island	190	193	242	170	132	191

Note: US visitor PPPD are based on visitors stayed in hotels and condos.
PPPD figures are estimated based on trip spending and island visitation.

Table 11. Visitor Expenditures by Island by MMA: 2000 (in millions of dollars)

	US West	US East	Japan	Canada	Europe	Oceania	Other Asia	Latin America	Other	Business Supple- mental	Total	% of Total
Oahu	1,064.9	1,144.4	1,963.8	166.5	123.5	96.7	146.3	17.1	295.2	230.6	5,249.0	48.1%
Maui County	1,206.9	1,010.6	176.5	199.7	77.3	17.9	22.2	9.3	108.2	150.2	2,978.6	27.3%
Maui	1,153.4	973.3	173.0	189.9	72.4	17.1	20.9	9.1	103.8	138.6	2,851.5	26.1%
Molokai	27.9	11.9	1.7	3.0	2.2	0.5	0.7	0.1	2.1	2.8	52.9	0.5%
Lanai	25.6	25.4	1.8	6.9	2.6	0.3	0.6	0.1	2.2	8.7	74.2	0.7%
Kauai	526.5	403.7	51.9	37.3	28.0	7.2	5.8	1.9	38.1	50.0	1,150.4	10.5%
Hawaii	657.5	438.1	178.2	47.9	35.0	10.6	18.5	3.8	58.8	91.5	1,540.1	14.1%

Note: US visitor expenditures are based on visitors stayed in hotels and condos.
Figures are estimated based on trip spending and island visitation.

Table 12. Visitor Expenditures and TAT Targets 2002-2003

		Visitor Expenditures (\$ mil.)	TAT Revenue (\$mil)	HTA Revenue (\$mil.)
Actual	1998	10,309.2	125.9	
	1999	10,279.7	153.4	8.1
	2000	10,918.1	175.4	66.5
Projected	2001	10,055.6	161.5	61.2
Targeted	2002	10,347.2	166.2	63.0
	2003	11,371.6	182.6	69.2

APPENDIX B:

Hawaii Tourism Assets & Challenges in 2001

	Assets	Challenges
Demand/Marketing Issues	<ul style="list-style-type: none"> • Hawaii's worldwide positive brand name • Credibility among key players • Strong beach & touring image • Exciting, safe, and worry-free destination • Perception as a safe destination 	<ul style="list-style-type: none"> • Lack of visibility in the marketplace • High cost perception • Geographic isolation, time and distance perception • Raised global destination playing field • Growing competition for travel agent attention • Changing travel distribution systems • Prolonged weakness of Asian economies • Airlift capacity • Overcoming perception of Hawaii as primarily a leisure destination • Safety and Security Confidence in air travel since the September 11, 2001 attacks
Supply/Product Issues	<ul style="list-style-type: none"> • Hawaii Convention Center • New attractions • Historic Sites • Aloha spirit • Cultural diversity • Multicultural/multilingual workforce • Year-round temperate weather • Pristine environment & beauty • Luxurious golf courses & resorts • Ocean & sports venue • Many players in new product niches such as agricultural, cultural, education, health and wellness, nature, sports, and technology tourism. 	<ul style="list-style-type: none"> • Aging visitor plant in key resort areas and lack of reinvestment • Underdeveloped and poorly maintained park facilities • Intra-island resource conflicts • Lack of awareness of new things to see and do • High cost of development and operations • Time consuming regulatory and approval process • Becoming too familiar to Japanese • Lack of coordinated visitor industry input in government policy • Community support for tourism • Upgraded business support facilities needed in hotels to cater to business travelers • Unstable global political environment since Sept. 11, 2001 • Lower capacity and higher costs pressures on airline industry • Since the September 11, 2001 attacks, rapid increase in unemployment in visitor industry employees and increase in loss of revenues by visitor-related businesses

APPENDIX C:

Leisure Marketing Strategies By Major Market Area

Introduction

To facilitate enhanced marketing focus and improve the ability to assess effectiveness of marketing expenditures, the Hawaii Tourism Authority (HTA) has segmented the world into the following major market areas (MMAs):

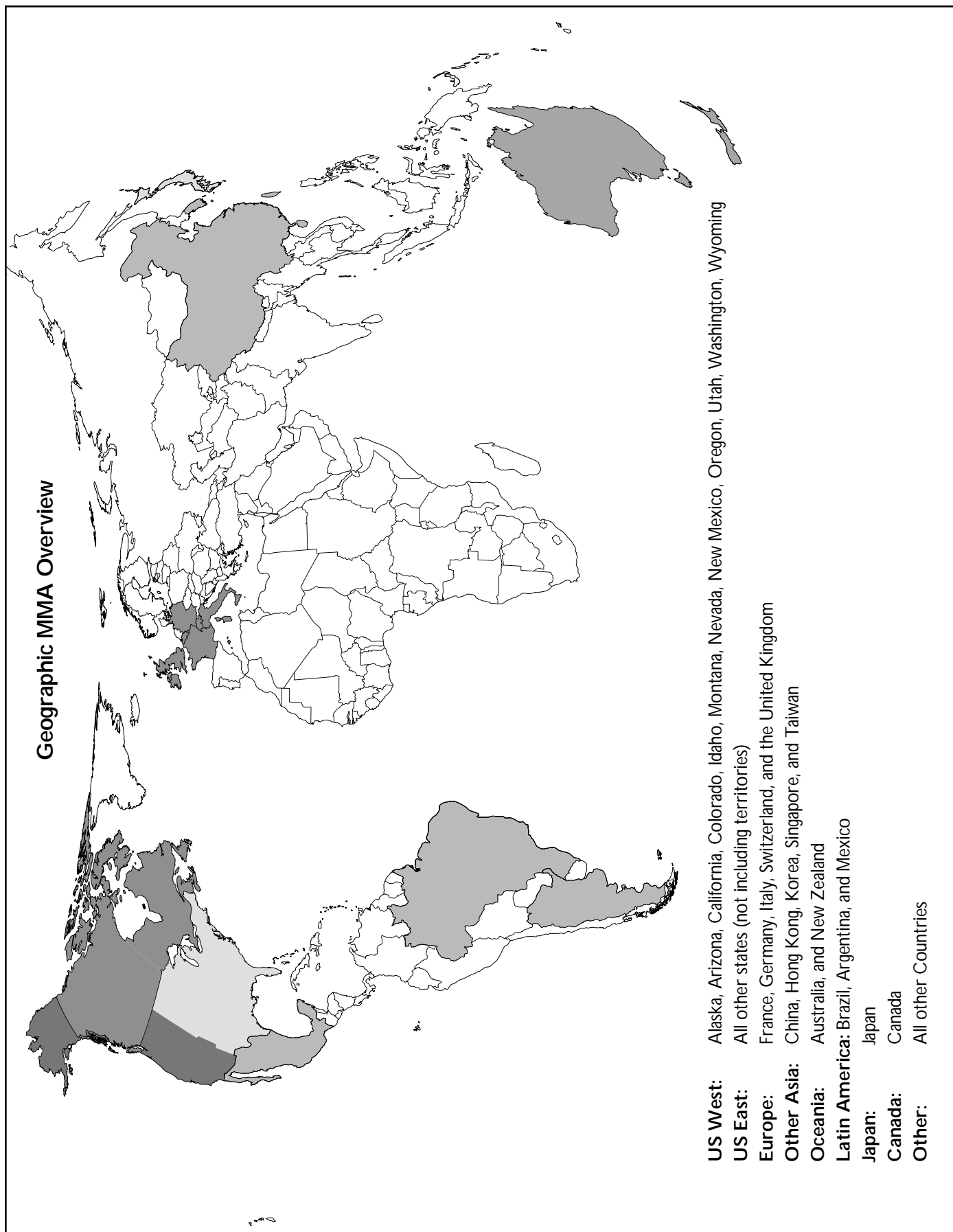
1. US West
2. US East
3. Japan
4. Canada
5. Europe
6. Latin America
7. Other Asia
8. Oceania
9. Other

The MMAs represent geographic areas around the world that have roughly similar travel characteristics. Visitor statistics, particularly visitor spending patterns, will be measured for each MMA.

Resource allocations to the MMAs will be based on obtaining the highest return on investment in terms of visitor expenditures, not just arrivals. Separate marketing strategies and performance allocations are presented for each MMA.

STRATEGY: *To promote Hawaii as a preferred destination for leisure tourism by increasing promotional presence and brand identity to more globally competitive levels to optimize performance in each Major Market Area (MMA).*

- *Structure marketing efforts to stimulate demand during shoulder periods (spring and fall).*
- *Leverage HTA resources for brand marketing by collaborating with tourism and other business partners on cooperative programs.*
- *Increase emphasis on US West, US East, Japan, Business Tourism.*
- *Sustain emphasis on Europe and Canada.*
- *Developing emphasis on Other Asia, Oceania and Latin America.*

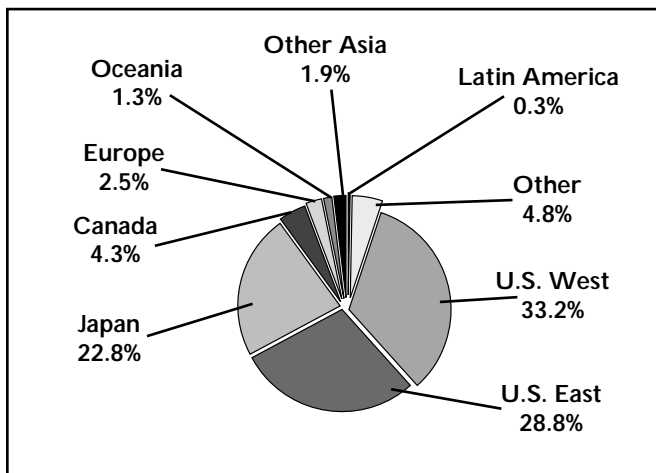


State of Hawaii Tourism Indicators by MMA – 2000

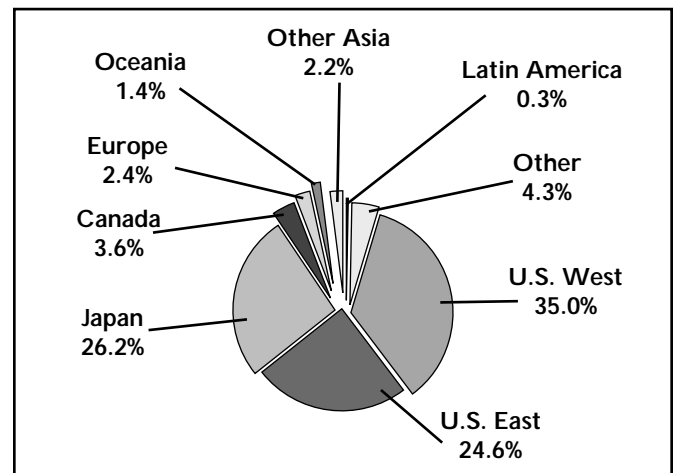
MMA	Total Expenditures (\$ millions)	Rank	Trip Expenditures	Rank	Average Length-of-Stay	Rank	Visitor Arrivals	Rank
US West	\$3,455.8	1	\$1,420.7	5	9.6	4	2,114,300	1
US East	\$2,996.8	2	\$1,749.8	2	10.0	3	1,511,110	3
Japan	\$2,370.4	3	\$1,304.1	7	5.5	8	2,092,480	2
Canada	\$451.5	4	\$1,792.6	1	12.0	1	327,200	4
Europe	\$263.8	5	\$1,580.1	4	11.0	2	199,750	6
Other Asia	\$192.8	6	\$1,263.8	8	6.9	6	241,340	5
Oceania	\$132.3	7	\$1,378.3	6	6.2	7	111,700	7
Latin America	\$32.1	8	\$1,770.0	3	9.6	4	15,920	8
Other	\$500.3		\$1,666.0				262,340	
Supplemental Business	\$522.3							
Total	\$10,918.1		\$1,571.3				6,948,595	

Source: Department of Business, Economic Development & Tourism

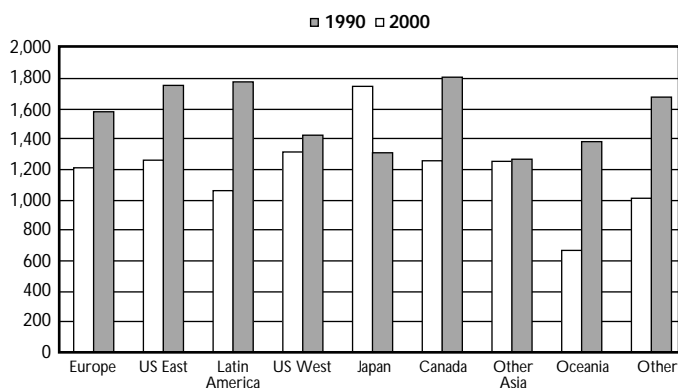
2000 Visitor Expenditures



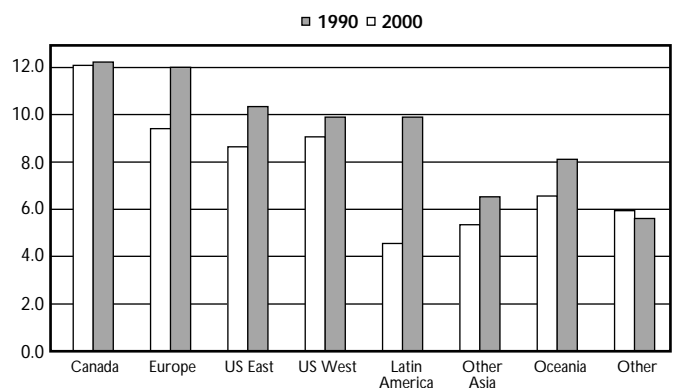
2000 Visitor Arrivals



1990 & 2000 Average Trip Expenditure



1990 & 2000 Average Length-of-Stay



MMA: US WEST

Key Situation Analysis Issues

2000 Statistics	Number	Percent Share	Rank
Total expenditures	\$3,455,800,000	31.7%	1
Visitor arrivals	2,432,444	35.0%	1
Visitor days	23,978,995	28.6%	1
Avg trip expenditure	\$1,420.70	n/a	6

- High repeat market.
- High propensity for outbound travel, economic prosperity, and continued in-migration and population growth indicate potential as continued source of new first-time visitors.
- Significant competition that is closer to home and, in some cases, less expensive; and has experienced dramatic growth in the last decade (e.g., Las Vegas, Mexico).
- Airlift issues present challenges. High frequency routes are less profitable due to competition and unique travel distribution system.
- Along with the U.S. East, has the largest number of internet users as compared to the rest of the MMAs.
- The marketing of timeshare provides further diversification of our tourism plant, one that is immune to national recession and natural disasters.
 - Timeshare owners:
 - Average household income is \$89,000 versus a non-timeshare visitor of \$75,000.
 - Average length of stay is 11.6 days verses 8.7 days of by a non-timeshare visitor.
 - Timeshare owners stay 3.1 nights in other types of accommodations beyond their 11.3 days at a timeshare resort.
 - Timeshare sales have increase 26% annually since 1995.

Key Strategic Directions

- Position promotional efforts on diversity of product, activities, and experiences available – good value compared to other destination choices, so as to attract more first-time visitors.
- Support development of new attractions and activities that will maintain flow of repeat business.
- Focus marketing efforts to stimulate demand during shoulder seasons (spring and fall).
- Place increasing emphasis on:
 - Family Market.
 - Wedding and honeymoon segment
 - Active adults – activities (i.e. water sports, hiking, golf), culture, health and wellness
 - Senior Market
- Position Hawaii to take advantage of Internet and rapidly evolving distribution system.

Resource allocation: Increased emphasis

MMA: US EAST

Key Situation Analysis Issues

2000 Statistics	Number	Percent Share	Rank
Total expenditures	\$2,996,800	27.4%	2
Visitor arrivals	1,712,712	24.6%	3
Visitor days	17,673,292	28.6%	2
Avg trip expenditure	\$1,750	n/a	3

- Significantly higher share of affluent households in the U.S. East as compared to U.S. West.
- Hawaii has experienced strong competition from many different areas: Florida (Orlando-Disney), California, Las Vegas, cruise lines (particularly Caribbean cruises), Canada, and Europe.
- Time and distance of travel have been impediments, particularly as consumer trending towards more frequent, closer to home trips.
- Hawaii has increased its promotional dollars targeting this MMA, spending more on US East than US West in the last three years.
- Airlift issues present challenges.
- Time and distance.
- Availability of direct flights or convenient connections.
- Commission caps have changed the dynamics of retail travel agents, as they seek other ways to increase their revenues. For example, they not only sell airfare, but also packages from wholesalers.
- Along with the U.S. West, has the largest number of internet users as compared to the rest of the MMAs.
- The marketing of timeshare provides further diversification of our tourism plant, one that is immune to national recession and natural disasters.
 - Timeshare owners:
 - Average household income is \$89,000 versus a non-timeshare visitor of \$75,000.
 - Average length of stay is 11.6 days verses 8.7 days of by a non-timeshare visitor.
 - Timeshare owners stay 3.1 nights in other types of accommodations beyond their 11.3 days at a timeshare resort.
 - Timeshare sales have increase 26% annually since 1995.

Key Strategic Directions

- Increase promotional efforts to bring Hawaii back on the consumer radar screen and attract first-time visitors.
- Position Hawaii as quality value choice that makes the time and distance of the trip "worth it."
- Place increasing emphasis on:
 - Family Market
 - Wedding and honeymoon segment
 - Active adults – activities (i.e. water sports, hiking, golf), culture, health and wellness
 - Senior Market
- Develop creative airlift solutions to facilitate long-distance travel, such as partnering with airlines and other destinations for stopover promotions.
- Position Hawaii to take advantage of the internet and rapidly evolving distribution system.

Resource allocation: Increased emphasis

MMA: JAPAN

Key Situation Analysis Issues

2000 Statistics	Number	Percent Share	Rank
Total expenditures	\$2,370,400,000	21.7%	3
Visitor arrivals	1,817,643	26.2%	2
Visitor days	10,097,846	-2.7%	3
Avg trip expenditure	\$1,304	n/a	8

- Fastest growing market for Hawaii between 1990 and 1997. Since 1997, economic weakness and uncertainty in Japan has hurt market performance, decreased arrivals and daily spending.
- Hawaii has good image and popularity base.
- Consumers more independent, experienced travelers seeking value that will lead to more independent buying habits and different spending patterns on return visits.
- Strong control of distribution system by major wholesalers.
- Weddings and honeymoons continue to be a strong reason for travel to Hawaii. Over the past decade, Japanese weddings have increased nearly five-fold.
- Since 1997, decreasing airlift has been a constraint for the Japan market.
- Growth in Hawaii has lagged due to increases in "an kin tan" travel (cheaper, closer, and shorter) and economic and exchange rate considerations which favor destinations within the Asian region.
- The family travelers are the single largest travel party for arrivals from the Japan. After Hawaii, Guam has the second largest concentration of Japanese family travelers.
- Number of single women overseas travelers age 18-29 has shrunk significantly as a result of a shrinking population, economic constraints, and waning interest in overseas travel.
- According to the Travel Industry Association of America, the "silver generation" of Japanese is growing, resulting in more mature travelers seeking vacations that offer rest and relaxation, as well as nature trips, such as hiking.
- JTB Foundation's research reports show that Japanese visitors who engaged in shopping decreased, while more notable increases were seen in other activities in Hawaii such as natural and scenic attractions, gourmet sampling and historic and cultural attractions.

Key Strategic Directions

Increase promotional emphasis on Japanese market so as to maintain market share in the short-term. Assure more cultural and style sensitivity in design and implementation of marketing programs

- Position Hawaii product as top quality destination.
- Define image of Hawaii as vibrant and exciting;
- Position Honolulu as a cosmopolitan city;
- Focus on culture, education and sports tourism products for younger generation; and
- Maintain focus on wedding and honeymoon market.
- Support development of additional activities, attractions and experiences to maintain repeat share.
- Increase focus on multi-generational and senior market segments.
- Encourage travel to the Neighbor Islands.
- Promote Edu-tourism through Hawaii's educational facilities.
- Develop learning tours among the senior market and professionals.
- Position Hawaii to take advantage of the internet and rapidly evolving distribution system.

Resource allocation: Increased emphasis

MMA: CANADA

Key Situation Analysis Issues

2000 Statistics	Number	Percent Share	Rank
Total expenditures	\$451,500,000	4.1%	5
Visitor arrivals	251,843	3.6%	5
Visitor days	3,081,557	5.0%	4
Avg trip expenditure	\$1,793	n/a	1

- Second highest propensity to travel on a per capita basis of all MMAs.
- Currency issues have made Hawaii more expensive.
- Canada business is more winter-oriented (November-April).
- Canadians tend to spend the most per trip.
- Most business booked through retail travel agents.
- Greater emphasis on value.
- Air charters play a significant role in performance of Canadian market.

Key Strategic Directions

- Maintain brand awareness to maintain market share.
- Maintain education of retail travel distribution network.

Resource allocation: Sustained emphasis

MMA: EUROPE

Key Situation Analysis Issues

2000 Statistics	Number	Percent Share	Rank
Total expenditures	\$263,800,000	4.1%	6
Visitor arrivals	155,973	2.4%	6
Visitor days	1,996,697	5.0%	4
Avg trip expenditure	\$1,580	n/a	5

- UK and Germany represent over 81 percent of Europe MMA arrivals to Hawaii. France, Italy and Switzerland comprise remainder of Europe MMA.
- Most European customers (particularly German and UK) have long length of stay, so total spending per visitor is high.
- Europeans tend to take longer vacations and are willing to travel farther.
- Inexpensive air packages drive the bulk of the market.
- Hawaii has had minimal promotional focus in Europe.
- Ranks second to U.S. West and U.S. East in terms of the number of internet users in the MMAs.
- Market has opportunity for growth.

Key Strategic Directions

- Improve brand focus on Hawaii in key countries.
- Develop innovative strategies with other destinations to capture a portion of long-stay vacations.
- Use merchandising to raise awareness of Hawaii.
- Research niche market opportunities.
- Work with airlines to encourage better routes.

Resource allocation: Sustained emphasis

MMA: OTHER ASIA

Key Situation Analysis Issues

2000 Statistics	Number	Percent Share	Rank
Total expenditures	\$192,800,000	1.8%	7
Visitor arrivals	152,543	2.2%	7
Visitor days	998,880	1.6%	7
Avg trip expenditure	\$1,264	n/a	9

- Comprised of Korea (37%), Taiwan (23%), China (18%), Hong Kong (15%), and Singapore (6%).
- Economic recovery boosted travel in late 1990s. However, economic uncertainty and political concerns cloud current Asia market outlook.
- Serious travel visa restrictions exist.
- Lack of convenient air connections.
- Huge younger age populations represent great future markets.

Key Strategic Directions

- Focus on countries with best potential—Korea, Taiwan, China.
- Support easing visa restrictions and developing convenient air service to Hawaii.
- Build base awareness for Hawaii as a brand.
- Support efforts to promote sports, cultural and educational exchanges.
- Explore partnership with West Coast/Las Vegas for stopover promotions.

Resource allocation: Developing emphasis

MMA: OCEANIA

Key Situation Analysis Issues

2000 Statistics	Number	Percent Share	Rank
Total expenditures	\$132,300,000	1.2%	8
Visitor arrivals	95,974	1.4%	8
Visitor days	773,573	1.3%	8
Avg trip expenditure	\$1,378	n/a	7

- Comprised of Australia (75%) and New Zealand (25%).
- While improving, nonstop seats to Hawaii remain well below pre-1993 levels.
- Hawaii has excellent brand awareness in the region.
- Very cost-conscious customer.
- Weakening of currencies has made ASEAN destinations more attractive.
- Look for experiences in Hawaii's culture, sporting, shopping and dining.
- ASEAN and UK/Europe destinations have extensive air seat capacity from the Australian market.
- Extra distance and cost to travel from New Zealand to Hawaii.

Key Strategic Directions

- Support increase in airlift.
- Maintain base brand awareness presence.
- Promote the diversity and sophistication that Hawaiian islands have to offer.

Resource allocation: Developing emphasis

MMA: LATIN AMERICA

Key Situation Analysis Issues

2000 Statistics	Number	Percent Share	Rank
Total expenditures	\$32,100,000	0.3%	9
Visitor arrivals	18,150	0.3%	9
Visitor days	178,884	0.3%	9
Avg trip expenditure	\$1,770	n/a	2

- Comprised of Brazil (46%), Mexico (34%) and Argentina (20%)
- No convenient air service to Hawaii. New service via Southwest gateway being developed.
- Long-term development market.
- Hawaii generally considered expensive due to distance and high accommodation prices compared to Mexico and the Caribbean.
- Preference for shopping, leisure activities, and golf facilities. Affordable, all-inclusive packages to the Caribbean are popular.
- Very affluent, younger market, fond of shopping.

Key Strategic Directions

- Build initial brand awareness in key cities with travelers in more affluent income categories.
- Support development of convenient air links and access to promotional seats; support airlines with South American service.

Resource allocation: Developing emphasis

APPENDIX D: Business Tourism Marketing Strategies

Key Situation Analysis Issues

Statistics 2000	Number	% Share of Visitor Arrivals
MC&I (Net)	574,916	8.3%
.....Convention/Conf.	362,760	63.1%
.....Corp. Meetings	116,074	20.2%
.....Incentive	102,954	17.9%
Other Business	226,215	3.3%
Government/Military	83,764	1.2%
Total Business		
Tourism Visitors	844,895	12.8%

- The share of total visitor expenditures from the MCI market is 18 percent.

Convention Center Market

Occupancy: Occupancy has improved over the past years, but continues to be a challenge. Local events have met the baseline goals and should meet future expectations. Offshore, national conventions continue to be a challenge to secure and meet the established goals.

Competition: Significant growth in square-footage by competitive centers in coming years.

- Primary competitors in Western Region include: Anaheim, Dallas, Denver, Las Vegas, Los Angeles, San Diego, San Francisco, and Seattle.

Business Tourism Market

- In 2000, business travel in the U.S. accounted for one-fifth (22 percent) of all US domestic travel. Of that, 76 million (36 percent) are combined business/pleasure trips.
- In Hawaii's case, business travel accounted for 12.8 percent of visitor arrivals in 2000.

Key Strategic Directions

The table on the following page represents the following for the Hawaii Convention Center:

- Actual numbers achieved to date, as of October 29, 2001; and
- Goals for the center, in terms of the number of events and attendees for each year.

It is important to understand that the table reflects the number of events occurring and that will occur in that particular year, and does not reflect the booking pace for the center. Booking pace refers to the number of events booked during that year though the events do not necessarily take place in the year it was booked. Note that the goals for years 1999-2004 were set in the 1999 Ke Kumu, and may be further refined and modified given the state of the global and Hawaiian economies.

Hawaii Convention Center – Number of Off-shore Meetings/Conventions Booked*

Year	Actual*		Annual Goals	
	# of Events	Attendees	# of Events	Attendees
1999	18	44,959	15	75,000
2000	42	128,525	24	145,000
2001	29	82,250	30	160,000
2002	32	186,300	30	160,000
2003	12	53,600	35	170,000
2004	12	60,800	40	220,000
2005	14	97,800	40	220,000
2006	7	51,800	45	230,000
2007	7	58,350	45	230,000

* As of November 20, 2001.

- Target: Increase the share of MCI expenditures from the current 18% to 30% by the year 2005. The target may be modified given current state of the economy.

Hawaii Convention Center

In 2000, when the HTA was assigned the responsibility of operating and managing the HCC by Executive Order No. 3817, the HTA realigned the responsibilities of marketing the HCC as follows:

- 1) HVCB to book major conventions from 13 months out; and
- 2) SMG to book the local and short-term calendar events within a six to 13 month window. As such, there will be different strategies of tackling the long-term and short-term bookings.

Long-term:

- Brand Hawaii as a business destination – “Hawaii: The Ultimate Global Gathering Place.”
- Identify shoulder periods and give priority to reach such conferences and conventions during shoulder periods.
- Create networks for potential partnerships by working with the University of Hawaii, biotech, medical, technology, and other education-business entities.

Short-term:

- Enhance Hawaii's image as a good place for business conferences and conventions.
- Expand partnerships with government agencies, hotels, airlines, and non-profit agencies.
- Generate use with local clients.
- Establish a return customer base.

Corporate Meetings and Incentives

- Brand Hawaii as a business destination – Hawaii is a good place for corporate meetings and incentives.
- Expand and broaden sales efforts through collaborative partnerships.
- Increase “Top-of-Mind Awareness” for Hawaii.

Business Development Marketing

- Promote Hawaii as the “Geneva of the Pacific” in order to attract multi-lateral governmental meetings.
- Support efforts to increase economic diversification and new business development, i.e., company headquarters; regional offices, R&D facilities, Manufacturing facilities.
- Support efforts for Hawaii to attract additional high-tech businesses to Hawaii's core competencies and national assets.
- Expand partnerships with government agencies, hotels, airlines and non profit organizations.
- Enhance the integration of the Hospitality industry and the Information Technology cluster.
- Enhance our hospitality image by adding the “many other faces” of a competent Hawaii.
- Partner with the tactical marketing efforts of the S&T Community to increase the visitor expenditures of the business/government traveler.

Resource allocation: Increased emphasis

APPENDIX E: Sporting Events

Situation Analysis

The following demonstrates Hawaii's key strengths as a sporting event destination:

- Climate and natural beauty
- Global brand recognition
- Integrated statewide marketing entity (HTA)
- Tradition of aloha
- Highly-developed hospitality infrastructure
- Numerous desirable resorts with excellent recreational facilities
- Ideal geographic location for "East Meets West" and other international competitions
- Higher customer retention
- Advantageous time zone – for prime time broadcasts on US East Coast

The challenges facing Hawaii include:

- Aging/outdated public facilities
- Poor history of generating ticket sales
- Transportation difficulty
- Perception of high-cost and far-distance

Nonetheless, Hawaii has hosted some major world-class events. Hawaii demonstrated that it has:

- Capacity to host, move and manage large groups of people
- Ability to host large events on a year-round basis
- Proven expertise in staging international television broadcasts
- Proven ability to enhance broadcasts with visual beauty, thus increasing value and ratings
- Offerings of a wide diversity of activities for event attendees, spouses and families

Strategic Directions

- Develop event marketing efforts based on consumer research in order to maximize visitor expenditures and provide synergy to the HTA's overall MMA strategies.
- Identify those events that will stimulate consumer demand for Hawaii with emphasis on "shoulder periods."
- Select events that play an appropriate role in marketing and provide resources to maximize benefits to the State.
- Utilize events as a productive marketing and communications tool to generate a substantial amount of publicity and exposure for Hawaii.
- Solicit co-op marketing partners to assist with extending the reach and impact of Hawaii's events.
- Provide venues to attract Hawaii's visitors to the State's unique environment for sports, health, fitness, and recreation.
- Focus on obtaining "Championship" and "Attendance" events. (See definition on page 13.)
- Use the following indicators to measure success:
 - Value of marketing benefits
 - Increase in consumer inquiry
 - Increase in research measurements
 - Economic impact

APPENDIX F:

Tourism Product Enrichment & Diversification

AGRI TOURISM

Situation Analysis

Hawaii has a rich agricultural tradition ranging from ranches, farms and plantations to fishponds, taro *lo'i* and coffee fields. The Islands' unique climate and year-round growing season, coupled with the resources of the University of Hawaii and the large inventory of available agricultural land, provide vast potential for this form of tourism which should be combined with health, adventure, cuisine, cultural, eco, and edu tourism activities.

Strategic Directions

- Create menus of experiences to make it easier for visitors to purchase agri tourism experiences and products.
- Promote the value-added component of agricultural products.
- Promote cuisine related to Hawaiian products.
- In conjunction with the local communities, advocate "Bed & Breakfasts", "Country Inns", "Farm Stays" and other Ag Tourism initiatives, which clearly are a component to agriculture production and could enhance the value and success of the ranchers and farmers of Hawaii.
- Combine agricultural experiences with health, adventure, culture, eco, and edu tourism activities.

CULTURAL TOURISM

Situation Analysis

Hawaii is one of the most culturally diverse places in the world. We have a unique host Hawaiian culture, and our aloha spirit is acclaimed the world over. A number of major and community-based festivals are held each year, which contribute to reinforcing pride in a community while also providing economic opportunities and benefits. Multi-cultural and traditional western cultural resources co-exist, and Hawaii's high levels of artistic achievements are unparalleled.

Strategic Directions

- Support major festivals that will attract participants and spectators, increase the appeal of the state as a destination for cultural activities, provide added value for the residents of the state, and assist in overall economic diversification.
- Create and support cultural events that engender community support and complement the visitor's entertainment calendar.
- Provide resources for community-based cultural initiatives.
- Coordinate organizations presently involved in cultural activities to market Hawaii as a rich, multi-cultural center.
- Change paradigm to "grass roots" perspective.

EDU TOURISM

Situation Analysis

There is much to learn in Hawaii through formal educational forums as well as "soft programs" such as Pacific cuisine culinary classes, the "Hawaiian EdVenture" program, conferences, cultural experiences, elder hostels and training venues. Programs involving school children and their parents coming to Hawaii for educational excursions offer exceptional potential, particularly from Japan.

Strategic Directions

- Integrate the tourism marketing objectives with those of the academic and learning communities to achieve the overall goals of the HTA, with a focus on statewide synergy.
- Foster partnerships of the visitor and education communities benefiting both visitors and residents alike.
- Develop programs to attract out-of-state visitors to Hawaii for educational purposes.
- Create packages and partnerships with airlines, travel agents, and wholesalers.
- Develop programs and activities to expand product offerings in this area.

HEALTH AND WELLNESS TOURISM

Situation Analysis

Hawaiian, Asian, and Western cultural, spiritual and medicinal resources and practices currently flourish in Hawaii. Hawaii's healthy climate and environment provide an ideal relationship with "lifestyle" activities.

Strategic Directions

- Focus on wellness rather than the tertiary care aspects of health tourism.
- Integrate aspects of health tourism with other tourism products such as sports, agriculture, ecology, culture and technology.
- Create programs that relate complementary medical practices to traditional western medical care.
- Facilitate and develop partnerships of the visitor and health and wellness communities to provide expanded product offerings and visitor attractions.
- Establish programs based on telemedicine and dissemination of health care.

ECO TOURISM

Situation Analysis

Hawaii's unique and beautiful settings provide a wide range of eco-systems. From unequalled ocean resources to majestic canyons and mountains, Hawaii offers both visitors and residents alike diverse nature experiences.

Strategic Directions

- Support programs that aid visitors and residents in understanding and appreciating Hawaii's unique environment.
- Support activities that promote conservation and sustainability of Hawaii's natural resources through educational programs.
- Create programs that will leverage Federal or private sector funds through matching challenge grants for the protection of the environment.
- Encourage synergy with the world-wide interest in ecologically responsible and economically sustainable tourism.

- Advocate changes in constraining laws that will encourage capital investments in resources and private lands for eco-tourism product development, reducing pressure on public lands.

TECHNO TOURISM

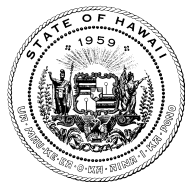
Situation Analysis

Over the last several years, an infrastructure for high technology has been developed in Hawaii including a fiber optics network linking Hawaii to the world. From the observatories on Mauna Kea, the deep ocean facilities of the Natural Energy Laboratory of Hawaii Authority (NELHA), the "super computer" on Maui, the Pacific Missile Range Facility on Kauai, to the diverse resources on Oahu, Hawaii has a vast array of technical resources unequalled in the world. There is a significantly growing reason for visitors to come to Hawaii to utilize these resources and participate in conferences and symposiums related to these assets. *Recognizing the full spectrum of technology resources in Hawaii is key to enhancing Hawaii's business image, accommodating science and technology conferences, marketing emerging visitor centers, as well as diversifying the economy and creating jobs.*

Strategic Directions

- Integrate tourism marketing objectives with those of the science and technology communities to achieve the overall goals of the HTA, with a focus on statewide synergy.
- Establish partnerships with non-profit and community organizations designed to leverage state funding with that of the federal and private sectors.
- Foster partnerships to provide for visitor attractions of technology venues.
- Market existing and emerging visitor centers.
- Integrate HTA objectives with those of the science and technology communities to provide for trade shows, seminars, expositions, and visitor centers that will enhance Hawaii's business image.
- Establish marketing and business attraction programs that will increase tax revenues to Hawaii by attracting incremental and diversified businesses, thus stimulating job creation as well as an increase in visitor expenditures.

Hawaii Tourism Authority



1801 Kalakaua Avenue 1st Floor, Honolulu, Hawaii 96813

